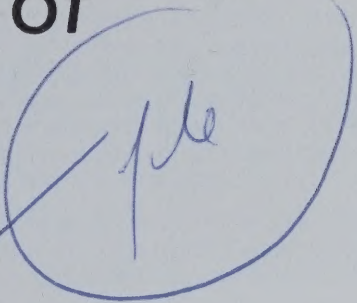


to the shareholders of


HASTINGS MINING AND DEVELOPMENT CO. LTD.


SULLIVAN CONSOLIDATED MINES LTD.

**SPECIAL GENERAL MEETING OF SHAREHOLDERS
NOVEMBER 21st 1968**

**Hotel Bonaventure
Montreal, P.Q., Canada**

HASTINGS MINING AND DEVELOPMENT CO. LTD. (N.P.L.)

Suite 1400, 507 Place d'Armes, Montréal,

Province of Quebec, Canada

October 25, 1968

To The Shareholders:

Taking into consideration the low ore reserve with the eventual complete exhaustion of the Solbec ore deposit during the coming year, having realized that Hastings and/or Solbec had reached the point where no more undistributed income was available for regular dividend payments and wishing to give an opportunity to Hastings' shareholders to perpetuate their investment in the mining activities of the Sullivan Mining Group, your Directors, after elaborate study of the situation and extensive accounting and legal consulting, have deemed advantageous for your Company and advisable to enter into a sale and purchase agreement dated October 18, 1968 and a subscription letter agreement dated August 30, 1968 whereby;

- (i) your Company has covenanted to sell to Sullivan Consolidated Mines Limited the "Solbec Mine" together with all its other mining interests, investments and assets, except its cash money, subject to current or contingent liabilities, for a consideration of \$3,854,505.61, payable in lawful money of Canada, on or before November 30, 1968;
- (ii) Sullivan Consolidated Mines Limited would as soon as possible change its name to Sullivan Mines Ltd. — Les Mines Sullivan Ltée, convert share for share, the one dollar par value of its stock into no par value shares and increase its capitalization from 4,000,000 shares without par value to 5,000,000 shares without par value and;
- (iii) your Company has covenanted to purchase 800,000 shares of the reorganized Sullivan Consolidated Mines Limited, at a price of \$5.00 per share for a total price of \$4,000,000 payable or on before November 30, 1968, following the confirmation and approval by the shareholders at the coming Special General Meetings.

That is to say that after complete execution and performance of the said sale and purchase agreement dated October 18, 1968, and of the subscription letter agreement dated August 30, 1968, your Company will hold, as its main asset, 800,000 shares of Sullivan Consolidated Mines Limited (Sullivan Mines Ltd. — Les Mines Sullivan Ltée.) out of the 4,800,000 outstanding shares or, in other words, 16.66% of the outstanding capital stock of Sullivan.

Through these transactions, Hastings should benefit as much as before from the mining operations of Cupra Mines Ltd. and additionally from the development of D'Estrie Mining Co. Ltd., Weedon Mines Ltd., Nigadoo River Mines, from the potential of affiliates like Quebec Lithium Corporation or others and from the extensive exploration programs normally carried out by Sullivan. Through these transactions Hastings will have an opportunity to share in the favorable earning experience of Sullivan.

Your Board of Directors recommends that the shareholders confirm the said sale and purchase agreement, and the subscription letter agreement, and that they confirm and ratify By-laws number 8 and 9 authorizing the distribution of its assets and the surrendering of the charter of Hastings.

Herewith is enclosed:

- A) A notice calling a special general meeting of shareholders of your Company to consider amongst other things and if thought advisable, to confirm the sale and purchase agreement dated October 18, 1968, between your Company and Sullivan Consolidated Mines Limited; as well as the subscription letter agreement dated August 30, 1968.
- B) An explanatory statement which may assist you in determining whether the said transactions should be confirmed;
- C) A form of proxy. If you are unable to attend the meeting in person, you are requested to sign and return the said form of proxy to the Secretary of the Company.
- D) Copy of a letter and notice sent to the shareholders of Sullivan Consolidated Mines Limited.

On behalf of the Board,

J. JACQUES BEAUCHEMIN

President.

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability)

507 Place d'Armes, Montreal 126,

Province of Quebec, Canada

NOTICE OF A SPECIAL GENERAL MEETING OF SHAREHOLDERS

TAKE NOTICE that a Special General Meeting of the Shareholders of Hastings Mining and Development Co. Ltd. will be held at the Bonaventure Hotel, Place Bonaventure, Montreal, Province of Quebec, on Thursday, November 21, 1968 at the hour of 10:00 o'clock in the forenoon (Eastern Standard Time) for the following purposes:

- A) To consider and if deemed advisable, to confirm the agreement (the sale and purchase agreement) made on the 18th day of October 1968, between the Company and Sullivan Consolidated Mines Limited providing for the sale by Hastings Mining and Development Co. Ltd. and the purchase by Sullivan Consolidated Mines Limited of the Solbec Mine located in Stratford Township, County of Wolfe, Province of Quebec, together with certain other mining interests, investments and assets, except its cash, subject to liabilities of Hastings.
- B) To consider and if deemed advisable, to confirm and ratify the subscription letter dated August 30, 1968, whereby the company has covenanted to subscribe and pay for 800,000 new shares without par value of Sullivan Mines Ltd. (new proposed name of Sullivan Consolidated Mines Limited) at the price of \$5.00 per share to be paid on or before November 30, 1968.
- C) To consider and if deemed advisable, to confirm and ratify By-law number 8 of the company, adopted by the Board of Directors, which By-law authorizes the company to distribute all of its assets to its shareholders proportionately to their holdings in the company.
- D) To consider and if deemed advisable, to confirm and ratify By-law number 9 of the company, adopted by the Board of Directors, which By-law authorizes the officers of the company to sign a request for the surrender of the Charter of the company.

Accompanying this notice and forming a part hereof, you will find a letter of the President and an explanatory statement regarding the above mentioned transactions, which contains inter alias:

- (i) pro forma balance sheets of Hastings Mining and Development Co. Ltd. and Sullivan Mines Ltd. as of September 1st, 1968, after giving effect to the proposed transactions;
- (ii) audited financial statements of the Company and of Sullivan Consolidated Mines Limited as of August 31, 1968;
- (iii) a copy of the sale and purchase agreement and of the subscription letter agreement.

Shareholders who are unable to attend the meeting in person, are requested to sign and return the enclosed form of proxy to the Secretary of the Company.

Dated at Montreal, this 1st day of November 1968.

By Order of the Board,

RÉAL J. LAFLEUR,
Secretary.

SULLIVAN CONSOLIDATED MINES LIMITED

507 Place d'Armes, Montreal,

Province of Quebec, Canada

October 25, 1968

To the Shareholders:

Being aware that, notwithstanding its favourable financial situation, additional liquidity could greatly enhance the growth prospect of your company, taking into consideration that "Hastings" and/or "Solbec" are companies within the "Sullivan Mining Group" of which Sullivan Consolidated Mines Limited is the leader, deeming advisable, under such circumstances to offer an opportunity to "Hastings" shareholders to extend their investment in the mining activities of the Sullivan Mining Group, your directors, after elaborate study of the situation and numerous accounting and legal consultations, have deemed advantageous for your company and advisable to enter into a sale and purchase agreement dated October 18, 1968 and a letter agreement of subscription dated August 30, 1968, whereby,

- (i) your company has covenanted to purchase from "Hastings" the "Solbec Mine" together with all its other mining interests, investments and assets, except its cash, subject to current or contingent liabilities, for a consideration of \$3,854,505.61, payable in lawful money of Canada, on or before November 30, 1968,
- (ii) your company would, as soon as possible, change its name to Sullivan Mines Ltd. or Les Mines Sullivan Ltée; convert share for share the par value shares of its stock into no par value shares and increase its capitalization from 4,000,000 shares without par value to 5,000,000 shares without par value, and
- (iii) your company would sell to Hastings 800,000 shares of its new capital at a price of \$5.00 per share for a total price of \$4,000,000 payable on or before November 30, 1968 following confirmation and approval by the shareholders at the coming Special General Meetings.

That is to say that after complete execution of the transactions proposed above, your company will hold and own the "Solbec Mine" located near Stratford Centre, Wolfe County, Province of Quebec, together with other assets subject to liabilities, as shown in the said sale and purchase agreement hereto annexed. Of course, until the "Solbec Mine" is fully exhausted, Sullivan will operate the same for its own account.

Your Board of Directors recommends that the shareholders confirm and ratify: the said sale and purchase agreement, the proposed By-Laws and the subscription letter agreement.

Herewith included are:

- A) A notice calling a special general meeting of shareholders of your company to consider amongst other things and if thought advisable, to confirm the proposed transactions between your company and Hastings Mining and Development Co. Ltd. and to approve the By-Laws changing the name and the capitalization of the company;
- B) An explanatory statement which may assist you in determining whether the said transactions should be confirmed;
- C) A form of proxy. If you are unable to attend the meeting in person, you are requested to sign and return the said form of proxy to the Secretary of the Company;
- D) Copy of letter and notice sent to the shareholders of Hastings.

On behalf of the Board,

J. JACQUES BEAUCHEMIN

President.

SULLIVAN CONSOLIDATED MINES LIMITED

**507 Place d'Armes, Montreal 126,
Province of Quebec, Canada**

NOTICE OF A SPECIAL GENERAL MEETING OF SHAREHOLDERS

TAKE NOTICE that a Special General Meeting of the Shareholders of Sullivan Consolidated Mines Limited will be held at the Bonaventure Hotel, Place Bonaventure, Montreal, Province of Quebec, on Thursday, November 21, 1968 at the hour of 11.00 o'clock in the forenoon (Eastern Standard Time), for the following purposes:

- A) To consider and if deemed advisable, to confirm the agreement (the sale and purchase agreement) made on the 18th day of October 1968, between the Company and Hastings Mining and Development Co. Ltd. providing for the sale by Hastings Mining and Development Co. Ltd. and the purchase by Sullivan Consolidated Mines Limited of the Solbec Mine located in Stratford Township, County of Wolfe, Province of Quebec, together with certain other mining interests, investments and assets, except its cash, subject to liabilities of Hastings;
- B) To consider and if deemed advisable, to approve, confirm and ratify By-Law 59 of the Company, adopted by the Board of Directors, which By-Law reads as follows:

WHEREAS the Company was incorporated under Part 1 of the Quebec Companies Act by letters patent dated March 5, 1932.

WHEREAS the authorized capital stock of the Company is \$4,000,000 divided into 4,000,000 shares of the par value of \$1.00 each, all shares have been issued and are outstanding as fully paid.

WHEREAS it is necessary, advantageous and in the interest of the Company and of its shareholders that the capital stock of the Company be modified as follows:

IT IS THEREFORE ENACTED as a By-Law of the Company:

- 1. The 4,000,000 par value shares of \$1.00 each of the capital stock of the Company are converted, share for share, into 4,000,000 without par value shares.
 - 2. The capital stock of the Company is increased by the creation of 1,000,000 additional without par value shares ranking pari passu with the presently authorized 4,000,000 shares so that the capital stock of the Company will consist of 5,000,000 without par value shares of which 4,000,000 shares will be issued as fully paid and non assessable, provided that the total consideration for the issue of the said additional 1,000,000 shares shall not exceed in money or in value the sum of \$5,000,000 or any superior amount which may be determined by resolution of the Directors of the Company upon payment of governmental fees prescribed for such superior amount.
 - 3. The Company is authorized to apply for Supplementary Letters Patent to the Lieutenant-Governor of the Province of Quebec ratifying the present By-Law.
 - 4. The Directors and Officers of the Company are authorized to sign all necessary documents to obtain the Supplementary Letters Patent ratifying the present By-Law.
- C) To consider and if deemed advisable, to approve, confirm and ratify By-Law 60 of the Company, adopted by the Board of Directors, which By-Law reads as follows:

BE IT ENACTED as a By-Law of the Company:

THAT the name of the Company be changed from Sullivan Consolidated Mines Limited to SULLIVAN MINES LTD. — LES MINES SULLIVAN LTÉE.

- D) To consider and if deemed advisable, to confirm and ratify the subscription letter dated August 30, 1968, whereby Hastings Mining and Development Co. Ltd. has covenanted to subscribe and pay for 800,000 new shares without par value of the company at the price of \$5.00 per share to be paid on or before November 30, 1968.

Accompanying this notice and forming a part hereof, you will find a letter from the President and an explanatory statement regarding the above mentioned transactions which contains inter alia:

- (i) pro forma balance sheets of Sullivan Mines Ltd. and Hastings Mining and Development Co. Ltd. as of September 1, 1968, after giving effect to the transactions referred to in the sale and purchase agreement;
- (ii) audited financial statements of the Company and of Hastings Mining and Development Co. Ltd. as of August 31, 1968; and
- (iii) a copy of the sale and purchase agreement and a copy of the subscription letter agreement.

Shareholders who are unable to attend the meeting in person, are requested to sign and return the enclosed form of proxy to the Secretary of the Company.

Dated at Montreal, this 1st day of November 1968.

By Order of the Board,

RÉAL J. LAFLEUR
Secretary.

EXPLANATORY STATEMENT

For

The Shareholders of

Hastings Mining and Development Co. Ltd.

(No Personal Liability)

and

Sullivan Consolidated Mines Limited

This explanatory statement contains information relevant to the sale and purchase agreement made on the 18th of October 1968 between Hastings Mining and Development Co. Ltd. (Hastings) and Sullivan Consolidated Mines Limited (Sullivan) and to the subscription letter dated August 30, 1968 sent by Hastings and accepted by Sullivan and includes copy of the said agreements and financial statements.

HISTORY

The incorporation of Solbec Copper Mines, Ltd. (Solbec) has taken place in 1959 to fulfil a condition of an option agreement concerning the purchase of the "Solbec Mine" property by an American firm: the said American firm was responsible for the discovery of the Solbec ore deposit in 1958. As per said option agreement Hastings, the vendor of said mining property, was entitled to retain only a minority interest in the new company to be incorporated.

In December 1959, due to extraordinary circumstances affecting the exploration policy of the American company, Hastings, with the financial assistance of Sullico Mines Limited (Sullico), Sullivan and Quebec Lithium Corporation (Lithium) was enabled to acquire all the shares of the company incorporated to operate the Solbec ore deposit which is now called Solbec Copper Mines, Ltd. On account of conditions then deemed onerous and involving substantial financial risks, since \$5,000,000 were involved to prepare the property for its operations, Sullico, Sullivan and Lithium acquired all the unissued shares of Hastings in December 1959. Presently, out of the 5,000,000 shares of Hastings, issued and authorized, Sullico owns and holds 2,495,404 shares and Lithium, 800,000 shares. As of August 31, 1968 Sullivan does not own any share of Hastings.

INTRODUCTION

Once Hastings became the owner of all the issued shares of Solbec, the existence of Solbec as a company was no more justified. We believe that the appropriate time has come to distribute the assets and to surrender the Charter of Solbec.

As of September 1, 1968 the distribution of assets, subject to the liabilities, of Solbec to its sole shareholder, Hastings, took place. The necessary steps for the dissolution of the company and the petition for the surrender of the Charter of Solbec shall be made at a later date.

FACTS AND REASONS

The following facts induced the Directors of Hastings to enter into the negotiations of the sale and purchase agreement, to wit:

1. The distribution of assets, subject to liabilities, the surrender of the Charters and dissolution of Hastings and Solbec, were due to take place not later than at the time of the complete exhaustion of the "Solbec Mine"; as a matter of fact, it is in the best interest of the numerous shareholders of East Sullivan Mines Limited (East Sullivan) through Sullico and of Lithium to receive their share of ownership of Hastings as soon as possible thus eliminating a useless intermediate company. As already stated, East Sullivan through Sullico, owns and holds 2,495,404 shares of Hastings and Lithium 800,000 shares.

2. The exhaustion of the "Solbec Mine" is now forecasted for 1969 and will accordingly affect all the shareholders at large. The Management of Hastings deeply regrets to have to face such a reality.

As early as Fall 1965, the President of Hastings, in the annual report informed the shareholders that the ore reserves at the "Solbec Mine" were sufficient only for no more than three years of production.

As early as August 1966, the President of Hastings, in the annual report confirmed that exploration for new ore was giving negative results.

A six month strike that had started on September 9, 1966 postponed the exhaustion already announced and forecasted for August 1968. As a matter of fact, this six month strike delayed production for a full year.

3. The sale and purchase agreement submitted for your ratification anticipates by a maximum of one year a fact that was due to take place anyway.
4. The second most important reason to execute the steps proposed herein is the fact that Hastings as of September 1, 1968 having no more undistributed income, as per our calculations, any distribution to its shareholders in accordance with these steps does not attract any Canadian income tax in their hands.

If a dividend were to be declared without these steps being taken, such a dividend would be taxable as any regular one.

5. The transactions involved in the sale and purchase agreement hereby submitted, subject to your approval can be executed more advantageously, for the Hastings' shareholders, as at September 1, 1968 than at a later date and, for that reason, it had to be executed as of September 1, 1968.
This statement can be substantiated by numerous factors, amongst which:
 - a) the cost of closing down the mine would have been at the expense of Hastings;
 - b) the severance pay for all employees;
 - c) the adverse net liquidation value on fixed assets when obsolete;
 - d) the uncertainties resulting from a decrease in the rate of production, from variations in the metal prices, and from other unknown factors, all of which may affect the profits of operating during the period before closing down the mine.
 - e) administrative expenses, that would keep increasing because of the existence of the company;
 - f) additional expenses resulting from tax on capital, that would keep increasing because of the existence of the company (the rate of capital tax has recently been doubled).
6. After execution of the sale and purchase agreement and of the subscription letter, the shareholders of Hastings will still have the choice either to maintain their investments in the activities of the Sullivan Mining Group, or to sell their shares on the market at a price equitable for all collectively, and each respectively.
The net shareholders' equity per share of Sullivan, as of September 1, 1968 was \$5.18 per share and, for Hastings, as at August 31, 1968 was \$0.80 per share: this is shown in the pro forma balance sheet of Sullivan and in the actual balance sheet of Hastings, both here attached.
The market quotations do not always reflect the true value of a company: collectively, Hastings shareholders cannot hope for more than what the company can afford to pay or distribute.
Notwithstanding the statements of the late President of Hastings stating that the "dividend policy" although generous, "would be, in the future, adjusted to circumstances . . ." that the "financial success of Hastings was abnormal and should prove temporary for a mining operation of that scope . . ." that "to maintain the present rate of high dividend payments, we would have to draw from retained earnings", the market quotations of Hastings consistently reflected overvaluation. The shareholders of Hastings collectively could never have realized the amounts of the then current quotations.
7. At September 1, 1968 the distribution of assets of Solbec is a fact of the past. The dissolution of the company and the surrender of its Charter will follow.

RELEVANT DATA

The following data are presented here to summarize the implications of the Solbec Deposit:

- a) ore reserves at inception of production in 1962 were stated at 1,380,000 tons grading 1.92% copper, 3.80% zinc, 0.50% lead, 0.014 oz. gold and 1.05 oz. silver per ton;
- b) the ore mined since inception to August 31, 1968 totals 1,705,763 tons and yielded 47,940,031 lbs. copper, 103,407,011 lbs. zinc, 14,477,394 lbs. lead and approximately \$3,000,000.00 was realized from gold, silver and cadmium.
The recoveries usually obtained for base metals were for copper 84%, zinc 82% and lead 70%.
- c) the ore reserves, at August 31, 1968 are calculated at 247,500 tons grading, 1.20% copper, 4.02% zinc, 1.02% lead, 0.03 ounce gold and 2.30 ounces silver per ton;
- d) during its last fiscal year, the ore treated from the Solbec mine was 266,525 tons grading 1.35% copper, 4.62% zinc, 0.84% lead, 0.024 oz. gold and 1.793 oz. silver per ton;
- e) the dividends distributed by Hastings up to August 31, 1968 amounted to \$12,000,000.00 that is \$2.40 per share;
- f) the shareholders' equity of Hastings amounts to \$3,981,720.00 at August 31, 1968 that is \$0.80 per share;
- g) the exploration expenses incurred at the Solbec mine to explore for ore adjacent to the known deposits have been estimated to amount to \$376,583.20.

GENERAL COMMENTS

We realize that for many shareholders it may be difficult to fully appreciate the merits of such involved transactions. So many factors may affect the pricing of an asset, as an example, when in 1967 the Solbec mill was sold to Cupra Mines Ltd. (Cupra) for one million dollars, few people could and did notice that Cupra was buying a mill having an annual capacity of 500,000 tons while its own requirements were only for 250,000 tons per year.

With these perspectives Solbec benefited much more than generally suspected. Without the existence of the Cupra deposit located near the Solbec mill, the net realization value for the Solbec mill would have amounted only to approximately \$200,000 at the time of dismantling.

DISTRIBUTION OF ASSETS OF HASTINGS

The distribution of the assets of Hastings and the surrender of its Charter are inevitable. It is in the best interest of all the shareholders that such steps be undertaken. Hastings' Management will wait for the most appropriate time before proceeding with the said distribution. To avoid unnecessary expenses, it is considered advisable that the authorization for the above steps be given at the coming Special General Meeting rather than at a later one.

OUTLINE OF THE SALE AND PURCHASE AGREEMENT

After elaborate study of the respective situation of Hastings and Sullivan and relying upon advice of our Consultants, the sale and purchase agreement which took place between Hastings and Sullivan, has been considered by the managements of these Companies to be the most desirable and advantageous method and procedure in order to continue protecting the interests of both Companies and should prove eventually the most beneficial to their shareholders. The transactions as stipulated in the sale and purchase agreement made on the 18th of October 1968, may be summarized as follows:

Hastings has sold, subject to cancellation and rescission in the case of non-confirmation by the shareholders of Hastings and/or Sullivan, the "Solbec Mine" situated in Stratford Township, Wolfe County, Province of Quebec, together with all the other mining interests, investments and assets, except its cash money (\$127,214.71), subject to current and contingent liabilities as shown in the sale and purchase agreement, for a consideration of \$3,854,505.61 payable in lawful money of Canada, on or before the 30th of November 1968. With its cash money, plus the above consideration and the dividend from Sullivan due for December 1968, Hastings will have funds slightly in excess of \$4,000,000.00.

IMPLEMENTATION OF THE SUBSCRIPTION LETTER

Sullivan will apply for supplementary letters patent under the Quebec Companies Act, in order to convert its \$1 par value shares of its stock into no par value shares, to increase its capitalization to 5,000,000 shares and will change its name to Sullivan Mines Ltd. — Les Mines Sullivan Ltée.

Once the resolution of each company, that is Hastings and Sullivan, is approved by the shareholders, which resolutions authorized the subscription by Hastings and the issuance by Sullivan of 800,000 shares of Sullivan at a price of \$5.00 per share for a total price of \$4,000,000 payable on or before the 30th of November 1968, the said offer to subscribe and the said acceptance to issue the above-mentioned shares will then, and only then, be binding upon each company.

SHARE CAPITAL OF SULLIVAN AND HASTINGS AFTER COMPLETE EXECUTION

After the execution of the above transactions and procedure, the capital stock of Sullivan and Hastings will be as follows:

A) Sullivan

Issued and outstanding	4,000,000 shares
Issued and sold to Hastings	800,000 shares
Authorized and unissued	200,000 shares
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Total authorized shares without par value	5,000,000 shares

B) Hastings

Hastings shall of course remain with its same authorized and issued shares that is:	5,000,000 shares
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DIRECTION

The Board of Directors of Sullivan is as follows, to wit:

Name	Calling	Residence
J. Jacques Beauchemin, Q.C.	President of the Company and other associated companies — Member of the law firm Beauchemin and Valiquette.	Outremont, Que.
André Beauchemin, Eng.	Executive Vice-President, formerly Secretary-Treasurer and Assistant to the President of the Company and other associated companies.	St-Lambert, Que.
Jean Beauchemin	Chairman of the Board and Director of other associated companies.	Outremont, Que.
Lucien C. Béliveau, Eng.	General Manager and Director of the Company and other associated companies.	Montreal, Que.
P. Ernest Beauchemin, Q.C.	Director of the Company and other associated companies.	Montreal, Que.
J. Ernest Laforce	Director of the Company.	Montreal, Que.
André Latreille, Eng.	Director of the Company and of other associated companies.	Montreal, Que.

The Board of Directors of Hastings is as follows, to wit:

J. Jacques Beauchemin, Q.C.	President of the Company and other associated companies — Member of the law firm Beauchemin and Valiquette.	Outremont, Que.
André Beauchemin, Eng.	Executive Vice-President, formerly Secretary-Treasurer and Assistant to the President of the Company and other associated companies.	St-Lambert, Que.
Jean Beauchemin	Vice-President and Director of other associated companies.	Outremont, Que.
Lucien C. Béliveau, Eng.	General Manager and Director of the Company and other associated companies.	Montreal, Que.
J. Guy Gauvreau, D.S.O., E.D. Brigadier-General	Director of the Company and other associated companies. President of Concordia Estates Holdings Limited.	Outremont, Que.
Maurice Scott, Eng.	Manager of Exploration of Sullico Mines Limited — Director of the Company and other associated companies.	St-Lambert, Que.
J. Albert Doyon	Director of the Company, Director of J. L. Lévesque & L. G. Beaubien Ltée, Investment Dealers.	Montreal, Que.

Stock Exchange Listings

Both Sullivan and Hastings are registered with and listed on the Toronto Stock Exchange and the Canadian Stock Exchange; their shares should continue to be normally traded on both Exchanges, subject for Sullivan, to the exchange of certificates subsequent to the changes in its capitalization and name. In the case of Hastings, upon distribution of its assets, the shares would then be withdrawn from trading on the Exchanges.

Exchange of Share Certificates

If the said by-laws changing the name of Sullivan and affecting its capitalization are approved by the shareholders of Sullivan and supplementary letters patent are issued, the shareholders of Sullivan will thereafter be notified to surrender outstanding certificates for new certificates evidencing the change of name and of the capitalization, on the basis of 1 new share for each share presently held.

MEETINGS OF SHAREHOLDERS

The Special General Meeting of the shareholders is called for each company by the accompanying notice to consider the sale and purchase agreement, the subscription letter agreement, the proposed changes in the capitalization and the change of name of Sullivan and other by-laws and resolutions.

The sale and purchase agreement made on the 18th of October 1968, and the subscription letter agreement dated the 30th of August 1968 have been duly approved by the Boards of Directors of Hastings and Sullivan. The non-confirmation by the special general meetings of shareholders of Hastings and/or Sullivan, of the sale and purchase agreement and/or of the subscription letter agreement, would cancel and rescind retroactively the said agreements.

Under Quebec laws, proposed by-law No. 60 concerning the change of name of Sullivan and by-law No. 59 concerning the conversion and subsequent increase in capital and proposed by-laws Nos. 8 and 9 of Hastings, concerning respectively the distribution of assets and the surrender of the Charter, to become effective, must be approved, confirmed and ratified by at least two thirds in value of the shares represented by the shareholders present at the meetings.

PURPOSE OF THE SALE AND PURCHASE AGREEMENT

The purpose of the directors of Sullivan and Hastings was to find a solution favorable to the shareholders of Hastings which would render possible an early dissolution of Hastings.

FINAL PRACTICAL RESULTS

After completion of the above mentioned transactions and procedure, the final practical result will be that Hastings' assets will be 800,000 shares of Sullivan that is a 16.66% interest in Sullivan.

For Sullivan the practical result will be that Sullivan will hold and own in addition to its prior assets all the assets coming from Hastings through the sale and purchase agreement, as of September 1, 1968. Furthermore, Sullivan will operate the "Solbec Mine" until full exhaustion.

Consequently, the shareholders of Hastings will continue to benefit as much as before from the mining operations of Cupra Mines Ltd., will share in the development of other companies of the group such as: D'Estrie Mining Company Ltd., Weedon Mines Ltd., Nigadoo River Mines Limited, Quebec Lithium Corporation and others. Also, Hastings' shareholders will have an opportunity to share in the extensive mining exploration program pursued by Sullivan and will share in the financial success of Sullivan. Currently the price earning ratio of Sullivan shares is approximately 7 to 1.

TAXATION ASPECTS

Our consultants advise us that under the provisions of the Income Tax Act of Canada as in force now, there should be advantages resulting from that agreement of sale and purchase.

ASSETS OF HASTINGS PURCHASED BY SULLIVAN AND CONSIDERATION

By the sale and purchase agreement, Hastings has sold to Sullivan, all its assets, subject to its liabilities, except its cash money (\$127,214.71), the whole as of the effective date of September 1, 1968, and as determined in an audited balance sheet of the same date by the Auditors of the Company.

Sullivan has assumed all contracts and undertakings binding upon Hastings at the effective date, September 1, 1968. As a consideration for the said sale, Sullivan has agreed to pay to Hastings, a price of \$3,854,505.61 in lawful money of Canada on or before the 30th of November 1968, this amount of \$3,854,505.61 being the aggregate of the following amounts estimated as of September 1, 1968 and as shown in the audited balance sheet dated August 31, 1968.

- a) \$96,136.62 for the mining properties and surface rights known as the "Solbec Mine" in Stratford Township, Wolfe County, Province of Quebec, and all rights to take and remove minerals from the said mining property known as the "Solbec Mine" together with certain mining rights and mining claims under development licenses in Stratford Township, Wolfe County, Province of Quebec; and
- b) \$331,126.74 for all mining and accessory installations, buildings, machineries and equipment, moveable or immovable presently situated on or under the said mining property known as the "Solbec Mine", except the mill and accessory buildings which are the property of Cupra Mines, Ltd., and
- c) \$64,972.53 for residential lots as follows: 30-30, 30-70, 30-72, 30-73, 30-74, 30-75 and 29-a-14, range 5 and part of 29-69, range 6, all located in the Town of Disraeli, Garthby County, Province of Quebec, with residences thereon; and
- d) \$8,031.03 for part of lot number 43, range 3 S. W. Village of Stratford, Stratford Township, Wolfe County, Province of Quebec, with residence thereon; and
- e) \$1,503,421.25 for investments in government bonds and industrial company shares at market value; and
- f) \$15,446.15 for accrued interest receivable; and
- g) \$150,822.42 for accounts receivable; and
- h) \$15,086.53 for special refundable tax; and
- i) \$1,519,693.82 for concentrates valued at estimated net returns under firm sales contracts, less advances thereon; and
- j) \$732,171.65 for mining and milling supplies at cost; and
- k) \$6,337.65 for prepaid insurance, taxes and other expenses; and
- l) \$301,786.80 for 300,000 shares in Cupra Mines Ltd. valued at shareholders' equity as at August 31 1968; and
- m) \$176,140.00 for investments in other exploration mining companies at cost; and
- n) \$115.19 for outside exploration expenditures; less the following liabilities:
- o) \$416,124.24 for current accounts payable and accrued expenses, and
- p) \$23,604.31 for wages payable; and
- q) \$627,074.22 as per provisions made by auditors as at August 31, 1968 for federal and provincial taxes, Province of Quebec Mining Duties and corporate taxes.

Nota Bene:

Included in Item m) for investments in other exploration mining companies at cost, are the shares and debentures in Chester Mines Limited and in Clinton Copper Mines Ltd.

DECLARATION OF INTEREST IN EACH OF THE COMPANIES

We are bringing the attention of Hastings' shareholders as well as of Sullivan to the fact that the Directors of both companies are acting as representatives of the numerous shareholders of both companies. The same persons are acting as President, Executive Vice-President, Secretary-Treasurer and Assistant Secretary-Treasurer: their responsibilities being to act in the best interest of the shareholders of each company.

INDEBTEDNESS — LITIGATION

Neither Hastings nor Sullivan has any bonds or debentures outstanding nor any funded indebtedness, nor mortgages or charges against the real property of the respective companies, nor are there any securities outstanding other than common stock. There is no litigation pending or threatened against either of the companies which would materially and adversely affect their assets and business.

EXHAUSTION OF THE SOLBEC MINE

An extensive report, dated October 11, 1968, has confirmed the fact that the "Solbec Mine" is facing exhaustion. The author, Dr. J. E. Gill is a well known, independent engineer with a B.Sc. Degree in Mining Engineering from McGill University (1921) and a Ph.D. Degree in Geology from Princeton University (1925). Dr. J. E. Gill is a Member of the Corporation of Professional Engineers of Quebec and has been practicing as a Consultant for forty years.

CONSULTANTS

Our consultants for the purpose of the present matter have been the Law firm of Messrs. Geoffrion & Prud'homme of Montreal and the firm of Messrs. Maheu, Noel, Anderson, Valiquette & Associés, Chartered Accountants and their national affiliate Collins, Love, Eddis, Valiquette and Co., Chartered Accountants.

SURRENDER OF CHARTER OF HASTINGS

The distribution of the assets of Hastings, the dissolution of the Company and the surrender of its charter are inevitable. It is in the best interest of all the shareholders that such moves be undertaken. Hastings' Management, before proceeding with the said distribution, will wait for the most appropriate time to avoid unnecessary expenses: to wit, the calling and holding of another Special General Meeting.

It is advisable that the authorization to execute the steps mentioned above be given at the coming Special General Meeting.

Relying upon opinions expressed by our Consultants on these matters and, inasmuch as our calculations of the undistributed incomes of Hastings and Solbec as of September 1, 1968, are correct, and, provided the conditions of each company above mentioned have not changed at the time of the distribution of the shares of Sullivan, your directors believe that these shares of Sullivan may be distributed to our shareholders free of any Canadian income tax liability as the law stands as of today.

The final result would be that for each 100 shares of Hastings, one would receive 16 shares of the new Sullivan.

Dated at Montreal, Que.
October 24, 1968.

(PURCHASE AND SALE AGREEMENT)

**MEMORANDUM OF AGREEMENT MADE AT MONTREAL
ON THE 18th DAY OF OCTOBER 1968**

BETWEEN:

HASTINGS MINING AND DEVELOPMENT CO. LTD. (N.P.L.), a company incorporated under the laws of the Province of Quebec, having its head office at 507 Place d'Armes, suite 1400, in Montreal, Quebec (hereinafter called "Hastings")

PARTY OF THE FIRST PART

— and —

SULLIVAN CONSOLIDATED MINES LIMITED, a company incorporated under the laws of the Province of Quebec, having its head office at 507 Place d'Armes, suite 1400, in Montreal, Quebec (hereinafter called "Sullivan")

PARTY OF THE SECOND PART

WHEREAS Hastings is a mining company incorporated under the Quebec Mining Companies Act, presently owning the "Solbec Mine" having taken possession of this mine together with other assets upon the distribution of the assets of Solbec Copper Mines, Ltd. (wholly owned subsidiary of Hastings) on the first day of September 1968, located in Stratford Township, Wolfe County, Province of Quebec and holding other mining interests, investments and assets;

WHEREAS Sullivan is a mining company incorporated under the Quebec Companies Act, and has been desirous to purchase and acquire the above mentioned mine with certain other mining interests, investments and assets;

WHEREAS discussions and negotiations beginning on or about the 20th day of August 1968, have led to an agreement on the 30th day of August 1968, between Hastings and Sullivan, whereby Hastings has covenanted to sell and Sullivan to purchase certain hereinafter described assets, the said agreement to be effective on the first day of September 1968;

WHEREAS it is of the essence of this agreement that it shall be conditional upon the approval by the shareholders of Hastings and of Sullivan and if said approval is not given by the shareholders of each company, this agreement shall become null and void as if it had never existed;

WHEREAS formal meetings of the Board of Directors of Hastings and Sullivan held on the 30th day of August 1968, have approved the said agreement;

WHEREAS these presents are set forth to evidence the terms and conditions of the said agreement of August 30, 1968;

NOW, THEREFORE, THE PARTIES HERETO COVENANT, AGREE AND CONFIRM THE SAID AGREEMENT OF AUGUST 30, 1968, AS FOLLOWS:

1. Hastings hereby sells to Sullivan and Sullivan hereby purchases from Hastings on the terms and conditions hereinafter set forth, all the lands, the moveable and immovable property, the mining leases, claims and concessions with all privileges and rights to take minerals therefrom, including the mining property of Solbec (hereinafter called "Solbec Mine"), located in Stratford Township, Wolfe County, Province of Quebec, and buildings, hereditaments, goods, chattels, bills, notes, goodwill, things in action, contracts, agreements, securities, investments, all other assets, whatsoever and wheresoever of the Company and except its cash money, subject to all debts, wages owing, income taxes and mining duties assessments and other contingent liabilities whatsoever and wheresoever of the Company, the whole as of the effective date and time of September 1st, 1968, and as shall be determined in an audited balance sheet of the same date by Beaulac, Hotte, Langlois, Bennett & Tétreault, Chartered Accountants;
2. As part of the consideration for the said sale, it has been agreed that Sullivan shall undertake, adopt, perform and fulfil all contracts and engagements binding upon Hastings and Solbec Copper Mines, Ltd. as at the effective date and time of September 1, 1968 and shall at all times keep Hastings and Solbec and their respective Directors fully indemnified against all actions, proceedings, claims and demands in respect thereof;

3. As a further part of the consideration for the said sale, Sullivan shall pay as purchase price to Hastings, a sum equal to the aggregate of the following amounts calculated as of the 31st of August 1968, and as shown on the audited balance sheet of the same date by Beaulac, Hotte, Langlois, Bennett & Tétreault, Chartered Accountants; any further adjustment or other contingent liabilities affecting the aggregate amount referred above shall at all times be for the account of Sullivan and Sullivan shall at all times keep Hastings and Solbec and its or their respective Directors fully indemnified against all actions, proceedings, claims and demands in respect thereof, to wit:
- A) \$96,136.62 for the mining properties and surface rights known as the "Solbec Mine" in Stratford Township, Wolfe County, Province of Quebec, and all rights to take and remove minerals from the said mining property known as the "Solbec Mine" together with certain mining claims under development licences in Stratford Township, Wolfe County, Province of Quebec; and
 - B) \$331,126.74 for all mining and accessory installations, buildings, machineries and equipment, moveable or immovable presently situated on or under the said mining property known as the "Solbec Mine", except the mill and accessory buildings which are the property of Cupra Mines Ltd.; and
 - C) \$64,972.53 for residential lots as follows: 30-30, 30-70, 30-72, 30-73, 30-74, 30-75 and 29-a-14, range 5 and part of 29-69, range 6, all located in the Town of Disraeli, Garthby County, Province of Quebec, with residences thereon; and
 - D) \$8,031.03 for part of lot number 43, range 3 S.W. Village of Stratford, County of Stratford, Province of Quebec, with residence thereon; and
 - E) \$1,503,421.25 for investments in government bonds and industrial company shares at market value; and
 - F) \$15,446.15 for accrued interest receivable on securities; and
 - G) \$150,822.42 for accounts receivable; and
 - H) \$15,086.53 for special refundable tax; and
 - I) \$1,519,693.82 for concentrates valued at estimated net returns under firm sales contracts, less advances thereon; and
 - J) \$732,171.65 for mining and milling supplies at cost; and
 - K) \$6,357.65 for prepaid insurance, taxes and other expenses; and
 - L) \$301,786.80 for 300,000 shares in Cupra Mines Ltd. valued at shareholders' equity as at August 31, 1968; and
 - M) \$176,140.00 for investments in other exploration mining companies at cost; and
 - N) \$115.19 for outside exploration expenditures; less the following liabilities:
 - O) \$416,124.24 for current accounts payable and accrued expenses; and
 - P) \$23,604.31 for wages payable; and
 - Q) \$627,074.22 as per provisions made by auditors as at August 31, 1968 for federal and provincial taxes, Province of Quebec Mining Duties and corporate taxes.
4. The aggregate of the aforesaid amounts, total \$3,854,505.61 which Sullivan undertakes to pay in lawful money of Canada to Hastings on or before the 30th day of November 1968;
5. The sale and purchase became effective on September 1, 1968 and the possession of the said assets of Hastings shall be deemed to have been transferred as of that date, to Sullivan, with the right of full ownership for Sullivan to take and remove minerals from any of the said mining properties, the whole subject to being cancelled and rescinded as hereinafter foreseen;
6. The Solbec Mine and the said other assets of Hastings and Solbec shall have remained at the risk of Solbec and Hastings until the said effective date and time of the purchase hereunder;

7. Hastings hereby represents and warrants:

- A) That it is a company duly incorporated and validly existing and in good standing under the laws of the Province of Quebec and has all requisite power and authority to enter into this Agreement;
- B) The financial statements of Hastings dated August 31, 1968 a copy of which has been delivered to Sullivan, are true and correct and have been prepared in accordance with generally accepted accounting principles and fairly present the financial position of Hastings as at that date;
- C) That it has good and marketable title to the properties and assets hereby sold subject to no mortgages, privileges, liens, hypothecs and encumbrances of any kind as at September 1, 1968;
- D) That, since August 31, 1968 until the date hereof, no material adverse change in the position financial or otherwise, of Hastings shall have occurred and no material transaction other than transactions in the ordinary course of business shall have been entered into by Hastings except as disclosed to and accepted by Sullivan;
- E) That the operations of Hastings have since August 31, 1968 been carried on in the ordinary course and that since that date there has been no material adverse change in the financial condition of Hastings, otherwise than as a result of normal business operations;
- F) That no litigations or legal actions or claims of any nature whatsoever are presently pending or threatened against Hastings which would materially adversely affect its properties, business or condition;
- G) That there are no long-term employment contracts presently in existence between Hastings and any person or persons whatsoever nor are there any long-term contracts of any kind whatsoever presently existing between Hastings and any person, firm or corporation;

8. Sullivan hereby represents and warrants:

- A) That it is a company duly incorporated and validly existing and in good standing under the laws of the Province of Quebec and has all requisite power and authority to enter into this Agreement;
- B) That no litigation or legal action or claims of any nature whatsoever are presently pending or threatened against Sullivan which would materially adversely affect its properties, business or condition;
- C) The financial statements of Sullivan dated August 31, 1968 a copy of which has been delivered to Hastings, are true and correct and have been prepared in accordance with generally accepted accounting principles and fairly present the financial position of Sullivan as at that date;
- D) That it has no liabilities of any kind (including income taxes, corporation taxes or any other taxes or assessments, either federal, provincial, municipal, school taxes or otherwise) as a result of their operations up to the 31st day of August 1968, other than those for which reserve has been made in the financial statements as at the 31st day of August 1968, and that such financial statements were prepared in accordance with generally accepted accounting practice;
- E) That, since August 31, 1968, until the date hereof, no material adverse change in the position financial or otherwise of Sullivan shall have occurred and no material transaction other than transactions in the ordinary course of business shall have been entered into by Sullivan except as disclosed to and accepted by Hastings;
- F) That the operations of Sullivan have since August 31, 1968 been carried on in the ordinary course and that since that date there has been no material adverse change in the financial condition of Sullivan, otherwise than as a result of normal business operations;
- G) That there are no long-term employment contracts presently in existence between Sullivan and any person or persons whatsoever nor are there any long-term contracts of any kind whatsoever presently existing between Sullivan and any person, firm or corporation;

9. Sullivan shall accept without objection or requisition such title as Hastings now has in and to any of its assets;

10. As a further part of the consideration for the present sale, Sullivan obliges and binds itself to maintain normally in their employment all the employees of Solbec Copper Mines, Ltd. at its Stratford plant, and not to dismiss any of said employees as a result or at the occasion of the present sale, and Sullivan also obliges and binds itself to take upon itself the complete execution of the Labour Collective Agreements entered into between Solbec Copper Mines, Ltd. and the United Steel Workers of America, C.L.C., A.F.L., C.I.O., local 6256 on the 7th of March 1967 which Labour Collective Agreement is in force and effect as from the 7th of March 1967 until the 6th of March 1970; and local 6878 (Junior Staff) on the 1st of August 1967, which Labour Collective Agreement is in force and effect as from the 1st of August 1967 until July 31, 1970; the said Sullivan obliges and binds itself to fulfil and execute all the terms and conditions of said contracts to the full and complete discharge and relief of Solbec Copper Mines, Ltd.;
11. It is of the essence of this agreement that the sale and purchase contemplated shall remain subject to automatic retroactive cancellation and rescission, in the event that a General Meeting of the Shareholders of Hastings and/or Sullivan both to be called for that purpose as soon as possible hereafter, would disapprove by resolution, the sale and purchase above mentioned; in such event, it is understood that this agreement shall become null and void as if it had never existed and that each party will refund and remit each to the other, whatever it may have paid or received pursuant to the present agreement;
12. Sullivan hereby undertakes that, until such confirmation of the said sale and purchase as aforesaid, is recorded by the shareholders of both Hastings and Sullivan, no obligation, sale, lease, mortgage, trust deed, lien or other encumbrance shall be contracted or permitted affecting the object of the said sale, except as can be expected in the normal course of business, and Hastings hereby confirms that since the effective date and time, to wit, September 1, 1968, no obligation, sale, lease, mortgage, trust deed, lien or other encumbrance has been contracted or permitted affecting the object of the said sale, except as can be expected in the normal course of business;
13. The Parties to the present agreement undertake to do whatever necessary and to sign and deliver all required documents to execute the present agreement, and carry on the transfer and the uninterrupted operation of the Solbec Mine.

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE SIGNED.

WITNESSES:

Réal J. Lafleur

Fernand Cordeau

SULLIVAN CONSOLIDATED MINES LIMITED

per: ANDRÉ BEAUCHEMIN
ANDRÉ LATREILLE

HASTINGS MINING AND DEVELOPMENT CO. LTD,

per: J. GUY GAUVREAU
MAURICE SCOTT

(SUBSCRIPTION LETTER AGREEMENT)

Montreal, August 30, 1968.

Sullivan Consolidated Mines Limited,
507 Place d'Armes, Suite 1400,
Montreal, P.Q.

Dear Sirs:

We understand that your Company proposes to change its name to Sullivan Mines Ltd. and to modify its authorized capital

- 1) by the conversion of its 4,000,000 shares of the par value of \$1 each into 4,000,000 shares without par value;
- 2) by the creation of 1,000,000 additional shares without par value so that the authorized capital will be, subject to the required corporate procedure and to the obtention of supplementary letters patent, 5,000,000 shares without par value of which 4,000,000 shares will be outstanding as fully paid and non assessable.

Subject to the granting to your Company of supplementary letters patent as aforesaid and subject to the approval by the shareholders of our Company of these presents, we hereby offer to subscribe for 800,000 shares without par value of the capital stock of your Company at the price of \$5 each payable cash on or before November 30, 1968.

Would you kindly notify your acceptance of this letter by signing in the space provided for on the duplicate of this letter and return it to us when duly executed.

HASTINGS MINING AND DEVELOPMENT CO. LTD.

ANDRÉ BEAUCHEMIN
Executive Vice-President

MAURICE SCOTT
Director

ACCEPTED on this 30th day of August 1968.

SULLIVAN CONSOLIDATED MINES LIMITED

ANDRÉ BEAUCHEMIN
Executive Vice-President

RÉAL J. LAFLEUR
Secretary Treasurer

SULLIVAN MINES LTD. — LES MINES SULLIVAN LTÉE
(Incorporated under the Quebec Companies Act)

ASSETS

CURRENT ASSETS:

Cash on hand, in bank and demand deposit		\$ 183,975	
Time deposits and accrued interest		1,060,830	
Marketable securities at market value:			
Bonds	\$ 1,643,746		
Shares	<u>9,200</u>	1,652,946	
Receivable under Emergency Gold Mining Assistance Act — Estimated .		29,739	
Accounts receivable:			
Current	170,145		
Others	<u>17,711</u>	187,856	
Accrued interest		23,430	
Concentrates valued at estimated net return under firm sales contracts, less advances thereon		1,519,694	
Mining, milling and refinery supplies:			
Valued at average cost	732,172		
Valued at possible amount of realization	<u>41,520</u>	773,692	
Prepaid expenses		10,534	
Special refundable tax		<u>22,247</u>	\$ 5,464,943

INVESTMENT IN AFFILIATED COMPANIES:

Listed shares at market value		13,518,334	
Shares valued as per shareholders' equity shown on audited balance sheet as at August 31, 1968 — Cupra Mines Ltd.		1,207,147	
Other shares and debentures at cost		928,872	
Loans and advances		<u>3,924,519</u>	19,578,872
MORTGAGES RECEIVABLE AND OTHER SECURITIES			<u>52,448</u>

FIXED ASSETS:

Mining properties at cost		96,136	
Buildings, plant and equipment at cost acquired from Hastings Mining and Development Co. Ltd.	404,130		
Buildings, plant and equipment at cost reduced by proceeds of sales, less accumulated depreciation of \$2,090,111	88,410		
Office equipment at cost, less accumulated depreciation of \$17,648	<u>17,888</u>	<u>510,428</u>	606,564

OUTSIDE EXPLORATION EXPENDITURES, less amounts written off			<u>238,093</u>
			<u>\$25,940,920</u>

The accompanying notes form an integral part of

Approved on behalf of the board of directors

Jean Beauchemin

André Beauchemin

AUDITORS' REPORT TO THE DIRECTORS

PRO FORMA BALANCE SHEET

As at September 1, 1968

(after giving effect to the transactions recited in the accompanying notes)

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 438,388	
Wages payable	27,190	
Provision for income taxes and Quebec mining profits tax, less instalments thereon	627,074	
Unclaimed dividends.	<u>11,413</u>	\$ 1,104,065

CAPITAL STOCK:

Authorized — 5,000,000 shares without par value	
Issued and fully paid — 4,800,000 shares	8,000,000

RETAINED EARNINGS \$ 4,263,219

UNREALIZED APPRECIATION ON INVESTMENTS 12,573,636 16,836,855

SHAREHOLDERS EQUITY 24,836,855

\$25,940,920

this statement.

We have examined the pro forma balance sheet of Sullivan Mines Ltd. — Les Mines Sullivan Ltée as at September 1, 1968 and have obtained all the information and explanations we have required. Our examination of the financial statements of Sullivan Consolidated Mines Limited, of which company we are the auditors, included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We have relied on the reports of the auditors who have examined the financial statements of Hastings Mining and Development Co. Ltd. and Solbec Copper Mines Ltd. as at August 31, 1968.

In our opinion, the pro forma balance sheet of Sullivan Mines Ltd. — Les Mines Sullivan Ltée, when read in conjunction with the notes thereto, presents fairly the financial position of the company as at September 1, 1968 after giving effect to the transactions set forth in Note 1 to the balance sheet.

Respectfully submitted,
MAHEU, NOËL, ANDERSON, VALIQUETTE & ASSOCIÉS
Chartered Accountants

October 25, 1968.

SULLIVAN MINES LTD. — LES MINES SULLIVAN LTÉE

NOTES TO PRO FORMA BALANCE SHEET

as at September 1, 1968

Note 1

The pro forma balance sheet gives effect to:

- a) Conversion of the 4,000,000 common shares of \$1 par value of Sullivan Consolidated Mines Limited into 4,000,000 shares without par value.
- b) Increase in the authorized capital of Sullivan Consolidated Mines Limited by the creation of 1,000,000 additional shares without par value ranking equally with the new 4,000,000 shares without par value.
- c) Change in the name of the Company from Sullivan Consolidated Mines Limited to Sullivan Mines Ltd. — Les Mines Sullivan Ltée.
- d) The purchase by Sullivan Consolidated Mines Limited of the net assets of Hastings Mining and Development Co. Ltd. (excluding cash) as of September 1, 1968, after the acquisition by Hastings of the net assets of Solbec Copper Mines Ltd., a fully owned subsidiary of Hastings.
The payment by Sullivan Consolidated Mines Limited of \$3,854,506 for the net assets representing total assets (excluding cash) less total liabilities of Hastings as at August 31, 1968. Sullivan will also undertake to indemnify Hastings and Solbec and their directors against all claims, adjustments or additional liabilities which could affect the global amount payable for the net assets of the above-mentioned companies.
- e) The purchase by Hastings Mining and Development Co. Ltd. of 800,000 new shares without par value of Sullivan Consolidated Mines Limited at \$5 a share for the total sum of \$4,000,000 payable on or before November 30, 1968.

All the above transactions are subject to obtaining the required supplementary letters patent and the approval and ratification by the shareholders of the companies concerned as well as the approval where relevant of the appropriate Security Commissions and Stock Exchanges.

Note 2

Contingent liabilities:

Sullivan Consolidated Mines Limited is contesting assessments for additional tax on capital totaling \$56,122 for which no provision has been made in the balance sheet.

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(Incorporated under the laws of the Province of Quebec)

PRO FORMA BALANCE SHEET

(as at September 1, 1968)

(after giving effect to the transactions recited in the accompanying notes)

ASSETS

CURRENT

Cash in bank	\$ 1,720
Marketable securities at cost: 800,000 shares of Sullivan Mines Ltd..	4,000,000
	<u>\$ 4,001,720</u>

LIABILITIES

CURRENT

Loan payable, Sullico Mines Limited.	\$ 20,000
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CAPITAL STOCK

Authorized, issued and fully paid:

5,000,000 shares at \$1.00 par value	\$ 5,000,000
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<u>LESS: discount thereon</u>	<u>4,508,495</u>
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491,505

RETAINED EARNINGS	<u>3,490,215</u>
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SHAREHOLDERS EQUITY	<u>3,981,720</u>
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\$ 4,001,720

Approved on behalf of the Board of Directors

ANDRÉ BEAUCHEMIN

MAURICE SCOTT

AUDITORS' REPORT TO THE DIRECTORS

We have examined the pro forma balance sheet of Hastings Mining and Development Co. Ltd. as at September 1, 1968 and have obtained all the information and explanations we have required. Our examination of the consolidated financial statements of Hastings Mining and Development Co. Ltd. and its fully owned subsidiary Solbec Copper Mines, Ltd., of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the pro forma balance sheet of Hastings Mining and Development Co. Ltd., when read in conjunction with the notes thereto, presents fairly the financial position of the company as at September 1, 1968 after giving effect to the transactions set forth in the notes to the balance sheet.

BEAULAC, HOTTE, LANGLOIS, BENNETT & TÉTREAU
Chartered Accountants.

Montreal, October 27, 1968.

HASTINGS MINING AND DEVELOPMENT CO. LTD.

NOTES TO PRO FORMA BALANCE SHEET

as at September 1, 1968

1. The pro forma balance sheet as at September 1, 1968 gives effect as of that date to:
 - a) The liquidation and winding-up of Solbec Copper Mines, Ltd.
 - b) The sale to Sullivan Consolidated Mines Limited of the net assets of Hastings Mining and Development Co. Ltd. (excluding cash) as of September 1, 1968, after the acquisition by Hastings Mining and Development Co. Ltd. of the net assets of Solbec Copper Mines, Ltd., its fully owned subsidiary.
 - c) The payment by Sullivan Consolidated Mines Limited of \$3,854,505.61 for the net assets representing total assets (excluding cash) less total liabilities of Hastings Mining and Development Co. Ltd. as at August 31, 1968. Sullivan Consolidated Mines Limited also undertakes to indemnify Hastings Mining and Development Co. Ltd. and Solbec Copper Mines, Ltd. and their Directors against all claims, adjustments, or additional liabilities which could affect the global amount payable for the net assets of the above mentioned companies.
 - d) The subscription by Hastings Mining and Development Co. Ltd. for 800,000 shares without par value of the capital stock of Sullivan Mines Ltd. at the price of \$5.00 per share payable cash on or before November 30, 1968.
 - e) The transactions contemplated in paragraphs C and D above are subject to obtaining the required letters patent changing the name of Sullivan Consolidated Mines Limited to Sullivan Mines Ltd. and converting and increasing the capital stock of the said company. The same transactions are also subject to obtaining the approval and ratification by the shareholders of the companies concerned as well as the approval where relevant of the appropriate Security Commissions and Stock Exchanges.
 - f) Any further adjustment or other contingent liabilities affecting the aggregate amount referred above shall at all times be for the account of Sullivan.
 - g) A loan of \$20,000.00 to be made by Sullico Mines Ltd. to Hastings Mining and Development Co. Ltd.
2. Contingent liabilities. The Company has received an assessment for additional tax on capital amounting to \$6,832.00. This assessment is being contested and no provision has been made in the accounts for this amount.
3. By-law No. 8 authorizing the Company to distribute all of its assets to its shareholders proportionately to their holdings in the Company, and by-law No. 9 authorizing the surrender of the Charter of the Company, have been approved by the Directors of the Company at a meeting held on the 18th day of October 1968 and are to be ratified by the shareholders at a special general meeting called for that purpose to be held on November 21, 1968.

SULLIVAN CONSOLIDATED MINES LIMITED

(Incorporated under the Quebec Companies' Act)

ASSETS

	August 31, 1968	August 31, 1967
CURRENT ASSETS:		
Cash on hand and in bank	\$ 38,481	\$ 94,232
Time deposits and accrued interest	1,060,830	131,508
Marketable securities: Bonds at market value — Annex I	149,525	148,125
Gold bullion at net realizable value	—	119,501
Receivable under Emergency Gold Mining Assistance Act — Estimated	29,739	148,076
Accounts receivable		
Current	24,668	68,027
Others	17,711	—
Accrued interest	7,984	4,026
Mining, milling and refinery supplies reduced to possible amount of realization	41,520	55,017
Prepaid expenses	4,176	4,938
Special refundable tax	7,160	—
	<u>1,381,794</u>	<u>773,450</u>
 INVESTMENT IN AFFILIATED COMPANIES — Annex I:		
Listed shares at market value	13,518,334	11,381,704
Shares valued as per shareholders' equity shown on audited balance sheet as at August 31 — Cupra Mines Limited	905,360	682,411
Other shares and debentures at cost	757,872	526,637
Loans and advances	3,920,519	3,175,055
	<u>19,102,085</u>	<u>15,765,807</u>
 MORTGAGES RECEIVABLE AND OTHER SECURITIES	<u>47,308</u>	<u>47,942</u>
 FIXED ASSETS: Notes 2 and 3		
Mining properties at cost	—	4,084,273
Mine buildings, plant and equipment at cost reduced by proceeds of sales (1967 cost) — Less accumulated depreciation of 1968 and 1967 — \$2,090,111	88,410	259,938
Office equipment at cost — Less accumulated depreciation of 1968 — \$17,648 and 1967 — \$18,306	17,888	14,692
	<u>106,298</u>	<u>274,630</u>
	<u>106,298</u>	<u>4,358,903</u>
 OUTSIDE EXPLORATION EXPENDITURES, less amount written off	<u>237,978</u>	<u>220,584</u>
	<u>\$20,875,463</u>	<u>\$21,166,686</u>

Approved on behalf of the Board of Directors

JEAN BEAUCHEMIN

ANDRÉ BEAUCHEMIN

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at August 31, 1968

(With comparative figures as at August 31, 1967)

LIABILITIES

CURRENT LIABILITIES:	August 31, 1968	August 31, 1967
Accounts payable and accrued expenses	\$ 23,609	\$ 69,318
Wages payable	3,586	44,904
Unclaimed dividends.	11,413	11,413
	<u>38,608</u>	<u>125,635</u>
 CAPITAL STOCK:		
Authorized, issued and fully paid — 4,000,000 common shares of \$1.00 par value	4,000,000	4,000,000
CONTRIBUTED SURPLUS: Proceeds from sales of donated shares as per statement "3"	—	361,384
RETAINED EARNINGS, as per statement "3"	<u>4,263,219</u>	<u>6,561,127</u>
	8,263,219	10,922,511
UNREALIZED APPRECIATION ON INVESTMENTS	<u>12,573,636</u>	<u>10,118,540</u>
 SHAREHOLDERS' EQUITY.	20,836,855	21,041,051
	<u>\$20,875,463</u>	<u>\$21,166,686</u>

We have examined the balance sheet of Sullivan Consolidated Mines Limited as at August 31, 1968 and the statements of earnings and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, the above balance sheet and statements of earnings, retained earnings and source and application of funds when read with the notes thereto present fairly the financial position of the Company as at August 31, 1968 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as mentioned in note 2 of the notes to financial statements.

Montreal, October 18, 1968

MAHEU, NOËL, ANDERSON, VALIQUETTE & ASSOCIÉS
Chartered Accountants

SULLIVAN CONSOLIDATED MINES LTD.

NOTES TO FINANCIAL STATEMENTS

Note 1

Under date of August 30, 1968, the directors of the Company have adopted by-laws and resolutions to give effect to the following:

- A) Conversion of the 4,000,000 common shares of \$1.00 par value of the Company into 4,000,000 shares of no par value.
- B) Increase in the authorized capital of the Company by the creation of 1,000,000 additional no par value shares ranking equally with the new 4,000,000 no par value shares.
- C) Change in the name of the Company to Sullivan Mines Ltd. — Les Mines Sullivan Ltée.
- D) Offer by the Company to purchase the net assets of Hastings Mining and Development Co. Ltd. (excluding cash) as of September 1, 1968, after the acquisition by Hastings of the net assets of Solbec Copper Mines Ltd., a fully owned subsidiary of Hastings. The consideration to be paid by Sullivan Consolidated Mines Limited for the net assets will be the sum of \$3,854,506.00 representing total assets (excluding cash) less total liabilities of Hastings as at August 31, 1968. Sullivan will also undertake to indemnify Hastings and Solbec and their directors against all claims, adjustments or additional liabilities which could affect the global amount payable for the net assets of the above-mentioned companies.
- E) Hastings Mining and Development Co. Ltd. has agreed to purchase 800,000 new no par value shares of Sullivan at \$5.00 a share or the total sum of \$4,000,000.00 payable on or before November 30, 1968.

All of the above transactions are subject to obtaining the required supplementary letters patent and the approval and ratification by the shareholders of the companies concerned as well as the approval where relevant of the appropriate Security Commissions and Stock Exchanges.

Note 2

No provision for depreciation on mine buildings, plant and equipment has been made in the accounts for the current period.

The proceeds from sales, during the year, of mine buildings, plant and equipment amounting to \$171,528.00 have been credited against the cost of fixed assets and it is the intention of management to continue this procedure in recording sales of this kind, until such time as the proceeds exceed the cost, the excess then being credited to earnings. Management has estimated the realizable value of the remaining fixed assets at the mine at \$273,610.00 and it is believed that final realization will exceed the net value of \$88,410.00 shown on the balance sheet.

The balance of leasehold improvements of \$11,254.00 has been written off against earnings of the current period whereas in prior periods they were amortized at the rate of 20% per annum.

Note 3

The figures shown for fixed assets as at August 31, 1967 have been reclassified to make them comparative with those as at August 31, 1968.

Note 4

Contingent liabilities:

The Company is contesting an assessment for additional tax on capital amounting to \$49,290.00 for which no provision has been made in the accounts.

Legal proceedings against Sullico Mines Limited concerning the issue and allotment of 4/5 of 340,000 shares in escrow of Sullipek Mines Inc. (non affiliated company) in favor of Sullico Mines Limited et al, in which shares Sullivan Consolidated Mines Limited has an interest of 20% and, in case of default in the delivery of such shares, payment of the sum of \$1,000,000.00 in damages by Sullico Mines Limited: in the opinion of the legal adviser of the Company, these proceedings are ill-founded in fact and in law.

SULLIVAN CONSOLIDATED MINES LIMITED

STATEMENT OF EARNINGS

for the year ended August 31, 1968

(with comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
Gold bullion production	\$ 531,881	\$ 1,396,146
LESS: Mint and handling charges	<u>4,975</u>	<u>10,411</u>
	<u>526,906</u>	<u>1,385,735</u>
DEDUCT:		
Mining expense	222,636	910,855
Milling expense	114,029	341,212
General mine overhead	119,347	80,825
Depreciation	15,726	30,404
General administration expenses	<u>96,976</u>	<u>83,737</u>
	568,714	1,447,033
DEDUCT: Estimated cost aid recoverable under the Emergency Gold Mining Assistance Act	<u>115,385</u>	<u>310,140</u>
	<u>453,329</u>	<u>1,136,893</u>
OPERATING PROFIT	<u>73,577</u>	<u>248,842</u>
Outside exploration expenditures written off	94,277	88,814
Recuperation and closing down expenses	182,031	—
Loss on sales of mining and milling supplies	15,981	—
Devaluation of supplies to possible realization value	(49,314)	68,123
Separation pay	76,598	—
Loss on sale of office equipment	<u>180</u>	<u>—</u>
	<u>319,753</u>	<u>156,937</u>
	<u>(246,176)</u>	<u>91,905</u>
Net profit on sales of machinery and equipment	—	6,008
Sale of recuperated material and scrap	<u>93,152</u>	<u>—</u>
	<u>93,152</u>	<u>6,008</u>
	<u>(153,024)</u>	<u>97,913</u>
OTHER INCOME:		
Dividends	2,232,837	2,252,526
Interest	102,318	65,924
Profit on sale of shares of affiliated company	<u>522,850</u>	<u>—</u>
	<u>2,858,005</u>	<u>2,318,450</u>
NET EARNINGS FOR THE YEAR carried to Retained Earnings	<u>\$ 2,704,981</u>	<u>\$ 2,416,363</u>

NOTE 5 — The mining operations ceased on December 5, 1967.

SULLIVAN CONSOLIDATED MINES LIMITED

STATEMENT OF RETAINED EARNINGS

as at August 31, 1968

(with comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
Balance at beginning of year	\$ 6,561,127	\$ 5,424,764
ADD:		
Net earnings for the year ended August 31	2,704,981	2,416,363
	<u>9,266,108</u>	<u>7,841,127</u>
DEDUCT:		
Dividends paid	1,280,000	1,280,000
	<u>7,986,108</u>	<u>6,561,127</u>
DEDUCT:		
Write off of balance of mining claims at cost	3,722,889	—
BALANCE AS AT AUGUST 31, as per Balance Sheet	<u>\$ 4,263,219</u>	<u>\$ 6,561,127</u>

CONTRIBUTED SURPLUS

as at August 31, 1968

(with comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
Balance at beginning of year	\$ 361,384	\$ 361,384
DEDUCT:		
Write off of part of mining claims at cost	361,384	—
BALANCE AS AT AUGUST 31, as per Balance Sheet	<u>\$ —</u>	<u>\$ 361,384</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended August 31, 1968

(with comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
WORKING CAPITAL AT BEGINNING OF YEAR	\$ 647,815	\$ 1,139,694
SOURCE OF FUNDS:		
Net profit for the year	2,704,981	2,416,363
Depreciation	15,726	30,404
Increase in value of marketable bonds	1,400	2,050
Instalments paid on mortgage	634	506
Sale of buildings, machinery and equipment	171,807	3,439
Sale of shares in affiliated company	94,116	—
	<u>2,988,664</u>	<u>2,452,762</u>
APPLICATION OF FUNDS:		
Dividends paid to shareholders	1,280,000	1,280,000
Acquisition of investments in affiliated companies	231,235	126,419
Purchases of other mining shares	—	11,448
Additional advances to affiliated companies	745,464	1,516,500
Outside exploration expenditures	17,394	8,393
Purchases of equipment	19,200	1,881
	<u>2,293,293</u>	<u>2,944,641</u>
Increase in working capital	695,371	(491,879)
WORKING CAPITAL AT END OF YEAR	<u>\$ 1,343,186</u>	<u>\$ 647,815</u>

SULLIVAN CONSOLIDATED MINES LIMITED

Annex I

SCHEDULE OF INVESTMENTS

as at August 31, 1968

			Cost	Market Value
MARKETABLE SECURITIES:				
Bonds			\$ 151,500	\$ 149,525
	Shares held	Market Prices		
SHARES IN AFFILIATED COMPANIES:				
Quebec Lithium Corp.	1,102,050	\$3.65	\$ 625,906	\$ 4,022,482
East Sullivan Mines Limited	1,561,850	6.00	946,601	9,371,100
Courvan Mining Co. Ltd.	733,833	0.17	193,076	124,752
			<u>\$ 1,765,583</u>	<u>\$13,518,334</u>
Cupra Mines Ltd.				
Valuation as per shareholders' equity shown on the audited balance sheet as at August 31, 1968 — cost in 1965	900,000		\$ 82,500	Valuation \$ 905,360
OTHER SHARES AT COST:				
Federal Metals Corp.	641,885*		\$ 309,202	
Eastern Explorers Corp.	183,339*		7,846	
Nigadoo River Mines Ltd.	789,748		87,094	
Peninsula Metals Corp.	100,007*		9,945	
D'Estrie Mining Co. Ltd.	596,852		59,685	
Chester Mines Ltd.	264,750*		17,100	
Brompton Mines Ltd.	205,000*		600	
Weedon Mines Ltd.	857,000*		112,500	
			<u>603,972</u>	
DEBENTURES:				
Chester Mines Ltd., 6½%, August 31, 1974, interest payable from 1969 of which \$84,500 not issued, pending authorization by the Province of New Brunswick	\$163,500		153,900	
			<u>\$ 757,872</u>	
LOANS AND ADVANCES:				
Nigadoo River Mines Ltd.			\$ 2,855,500	
Cupra Mines Ltd.			460,000	
D'Estrie Mining Co. Ltd.			555,500	
Chester Mines Ltd.			4,000	
Weedon Mines Ltd.			9,000	
Sullico Mines Limited			31,634	
Sundries			4,885	
			<u>\$ 3,920,519</u>	
OTHER MINING SHARES*			\$ 16,448	

*Inclusive of the following pooled shares:

Eastern Explorers Corp.	183,333
Federal Metals Corp.	67,935
Peninsula Metals Corp.	100,000
Chester Mines Ltd.	93,750
Sullipek Mines Ltd.	55,000
Weedon Mines Ltd.	125,000
Brompton Mines Ltd.	205,000

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability)
and its subsidiary

SOLBEC COPPER MINES, LTD.

(No Personal Liability)
(Incorporated under the Quebec Mining Companies' Act)

ASSETS

	August 31, 1968	August 31, 1967
CURRENT ASSETS:		
Cash on hand, in bank and demand deposit.	\$ 127,215	\$ 134,333
Time deposits.	—	1,216,050
Marketable securities at market value:		
Bonds	1,494,221	1,485,613
Shares	9,200	10,000
Accrued interest receivable	15,446	20,126
Accounts and loan receivable	150,822	296,518
Income taxes recoverable	—	105,000
Concentrates valued at estimated net return under firm sales contract less advances thereon	1,519,694	67,724
Ore in stock pile valued at cost of mining	—	603,394
Mining and milling supplies valued at average cost	732,172	618,188
Prepaid expenses	6,358	10,967
Special refundable tax	15,086	—
	<u>4,070,214</u>	<u>4,567,913</u>
SPECIAL REFUNDABLE TAX	—	47,841
INVESTMENTS		
300,000 shares, Cupra Mines Ltd. valued at shareholders' equity	301,787	227,470
Other shares and debentures at cost	176,140	91,640
Advances	—	110,000
	<u>477,927</u>	<u>429,110</u>
FIXED ASSETS:		
Mining properties at cost	96,137	98,446
Buildings, plant and equipment at cost less depreciation of \$729,950.97.	404,130	808,249
	<u>500,267</u>	<u>906,695</u>
OUTSIDE EXPLORATION EXPENSES		
Less amortization	115	14,166
	<u>\$ 5,048,523</u>	<u>\$ 5,965,725</u>

Approved on behalf of the Board of Directors

ANDRÉ BEAUCHEMIN
MAURICE SCOTT

AUDITORS' REPORT TO THE SHAREHOLDERS

CONSOLIDATED BALANCE SHEET

As at August 31, 1968

(with comparative figures as at August 31, 1967)

LIABILITIES

	August 31, 1968	August 31, 1967
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 416,124	\$ 334,306
Wages payable	23,605	18,394
Provision for income taxes and mining duties, less instalments thereon	627,074	—
	<u>1,066,803</u>	<u>352,700</u>
 CAPITAL STOCK:		
Authorized, issued and fully paid:		
5,000,000 shares at \$1.00 par value	5,000,000	5,000,000
Less discount thereon	<u>4,508,495</u>	<u>4,508,495</u>
	491,505	491,505
Retained profit as per statement	3,530,066	5,243,496
Unrealized appreciation on investments	<u>204,061</u>	<u>121,936</u>
	4,225,632	5,856,937
 LESS:		
Excess of cost over book value of subsidiary shares at date of acquisition	<u>243,912</u>	<u>243,912</u>
 SHAREHOLDERS' EQUITY	<u>3,981,720</u>	<u>5,613,025</u>
	<u>\$ 5,048,523</u>	<u>\$ 5,965,725</u>

We have examined the balance sheet of Hastings Mining and Development Co. Ltd. and its subsidiary: Solbec Copper Mines Ltd. as at August 31, 1968 and the statements of earnings and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of earnings, retained earnings and source and application of funds when read with the notes thereon present fairly the financial position of the company as at August 31, 1968 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding years.

Montreal, October 24, 1968

BEAULAC, HOTTE, LANGLOIS, BENNETT & TÉTREAULT
Chartered Accountants

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability) and its subsidiary

SOLBEC COPPER MINES, LTD.

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS

Note 1

As of September 1, 1968 Solbec Copper Mines, Ltd. has transferred assets and liabilities to Hastings Mining and Development Co. Ltd. as a preliminary step towards the liquidation and winding-up of the company which was approved and ratified by the shareholders of Solbec Copper Mines, Ltd. at a meeting held on the 30th day of August 1968.

Note 2

- A) Sullivan Consolidated Mines Limited has offered to purchase the net assets (excluding cash) of the company as of September 1, 1968. This transaction to take place after the acquisition by the company of the net assets of Solbec Copper Mines, Ltd. The consideration to be paid by Sullivan Consolidated Mines Limited will be the sum of \$3,854,505.61 representing total assets (excluding cash) less total liabilities of Hastings as at August 31, 1968.

Sullivan Consolidated Mines Limited will also undertake to indemnify Hastings Mining and Development Co. Ltd., Solbec Copper Mines, Ltd. and their directors against all claims, adjustments or additional liabilities which could affect the global amount payable for the net assets of the above mentioned companies.

- B) Hastings Mining and Development Co. Ltd. has offered to subscribe for 800,000 shares without par value of the capital stock of Sullivan Mines Ltd. at the price of \$5.00 per share payable cash on or before November 30, 1968. Sullivan Consolidated Mines Limited has accepted this offer on the 30th of August 1968.

- C) The transactions contemplated in paragraphs A and B above are subject to obtaining the required letters patent changing the name of Sullivan Consolidated Mines Limited to Sullivan Mines Ltd. — Les Mines Sullivan Ltée, and converting and increasing the capital stock of the said company.

The same transactions are also subject to obtaining the approval and ratification by the shareholders of the companies concerned as well as the approval where relevant of the appropriate Security Commissions and Stock Exchanges.

- D) Any further adjustment or other contingent liabilities affecting the aggregate amount referred above shall at all times be for the account of Sullivan.

Note 3

Contingent liabilities:

The company has received an assessment for additional tax on capital amounting to \$6,832.00. This assessment is being contested and no provision has been made in the accounts for this amount.

Note 4

By-law No. 8 authorizing the company to distribute all of its assets to its shareholders proportionately to their holdings in the company, and by-law No. 9 authorizing the surrender of the Charter of the company, have been approved by the Directors of the company at a meeting held on the 18th day of October 1968 and are to be ratified by the shareholders at a special general meeting called for that purpose to be held on November 21, 1968.

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability) and its subsidiary

SOLBEC COPPER MINES, LTD.

(No Personal Liability)

CONSOLIDATED STATEMENTS OF OPERATIONS

For the year ended August 31, 1968

(with comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
REVENUE FROM METAL RECOVERIES		
Production	\$ 6,623,342	\$ 589,560
LESS: cost of realization and freight	2,469,884	78,913
	<u>4,153,458</u>	<u>510,647</u>
DEDUCT:		
Development and exploration expenses	18,476	3,465
Mining expense	1,120,618	458,127
Milling expense	524,435	11,412
Ore trucking	11,603	—
General mine overhead	196,574	94,807
General administration expenses	133,178	83,909
Idle plant expenses, lock-out period	—	210,316
Depreciation of buildings, plant and equipment	85,044	104,560
Amortization of pre-milling expenses	338,173	51,373
	<u>2,428,101</u>	<u>1,017,969</u>
OPERATING PROFIT	1,725,357	(507,322)
Profit or loss on sales of fixed assets	2,043	303,686
	<u>1,727,400</u>	<u>(203,636)</u>
OTHER INCOME:		
Custom milling, administration, sundry	85,048	63,339
Dividends	320,575	360,575
Interest	92,628	174,322
	<u>498,251</u>	<u>598,236</u>
PROFIT BEFORE TAXES	2,225,651	394,600
Provision for Quebec Mining tax	268,601	—
Provision for income taxes	612,564	(105,000)
	<u>881,165</u>	<u>(105,000)</u>
CONSOLIDATED NET PROFIT FOR THE YEAR		
Carried to retained earnings	<u>\$ 1,344,486</u>	<u>\$ 499,600</u>

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability) and its subsidiary

SOLBEC COPPER MINES, LTD.

(No Personal Liability)

CONSOLIDATED STATEMENT OF RETAINED PROFITS

as at August 31, 1968

(with comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
BALANCE AT THE BEGINNING OF THE YEAR	\$ 5,243,496	\$ 6,438,514
ADD:		
Consolidated net profit for the year	1,344,486	499,600
Adjustment, taxes of prior years, etc.	(58,071)	305,382
Adjustment, sundry expenses	155	—
	<u>6,530,066</u>	<u>7,243,496</u>
DEDUCT:		
Dividends paid	3,000,000	2,000,000
	<u>\$ 3,530,066</u>	<u>\$ 5,243,496</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended on August 31, 1968

(with comparative figures for the year 1967)

	August 31, 1968	August 31, 1967
WORKING CAPITAL, beginning of year	\$ 4,215,213	\$ 4,730,870
SOURCE OF FUNDS:		
Net profit for the year	1,344,486	499,600
Depreciation	85,044	104,560
Amortization, pre-milling expenses	—	51,373
Special refundable tax	47,841	1,273
Decrease in outside exploration expenditures	14,051	5,733
Net decrease in fixed assets	321,385	708,481
Advances repaid.	110,000	—
Adjustment, expenses and taxes of prior years	155	305,382
Increase in unrealized appreciation of investments	82,125	(24,673)
Adjustment, marketable securities.	—	29,114
	<u>2,005,086</u>	<u>1,680,843</u>
APPLICATION OF FUNDS:		
Dividends paid	3,000,000	2,000,000
Adjustment, taxes of prior years	58,071	—
Advances and purchase of shares and debenture	84,500	196,500
Appreciation, holdings of Cupra Mines, Ltd.	74,316	—
	<u>3,216,887</u>	<u>2,196,500</u>
Net decrease	1,211,801	515,657
WORKING CAPITAL, end of year	<u>\$ 3,003,412</u>	<u>\$ 4,215,213</u>

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability)
and its subsidiary

SOLBEC COPPER MINES, LTD.

(No Personal Liability)

SCHEDULE OF INVESTMENTS

as at August 31, 1968

	Cost	Market Value
MARKETABLE SECURITIES:		
Bonds	\$ 1,571,862	\$ 1,494,221
Shares	10,000	9,200
	<u>\$ 1,581,862</u>	<u>\$ 1,503,421</u>

OTHER SHARES AND DEBENTURES

	Shares held		
Cupra Mines Ltd.	300,000	\$ 19,285	\$ 301,787
(Valued as per shareholders' equity on 1968 audited balance sheet)			
Chester Mines Limited			
common shares	264,750	\$ 17,100	} No Current Market Value
Chester Mines Limited			
debentures 6½% due August 31, 1974	\$ 163,500	153,900	
Clinton Copper Mines Ltd.			
common shares	41,236	—	} No Current Market Value
Clinton Copper Mines Ltd.			
4% preferred	5,140	5,140	
		<u>\$ 176,140</u>	

- 1) \$301,786.80 pour 300,000 actions de Cupra, évaluées à l'avoir des actionnaires en date du 31 août 1968; et
- m) \$176,140.00 pour investissements dans d'autres compagnies d'exploration minière, au coûtant; et
- n) \$115.19 pour dépenses d'exploration extérieure; moins les passifs suivants:
- o) \$416,124.24 pour comptes à payer et frais encourus; et
- p) \$23,604.31 pour salaires à payer; et
- q) \$627,074.22 d'après les provisions telles que calculées par les vérificateurs en date du 31 août 1968, pour les impôts sur les profits, tant au fédéral qu'au provincial, ainsi que pour les droits miniers de la Province de Québec.

Nota Bene:

Inclus dans l'item m) pour investissements dans d'autres compagnies d'exploration minière, au prix coûtant, sont les actions et débentures dans Chester Mines Limited et dans Clinton Copper Mines Ltd.

DÉCLARATION D'INTÉRÊT DANS CHACUNE DES COMPAGNIES

Nous attirons l'attention des actionnaires, tant ceux de Hastings que ceux de Sullivan, sur le fait que les administrateurs de ces deux compagnies agissent à titre de délégués des nombreux actionnaires de ces deux compagnies. Les fonctions de président, de vice-président exécutif, de secrétaire-trésorier et de secrétaire-trésorier-adjoint, sont assumées respectivement par les mêmes personnes. Leurs responsabilités toutes sont de sauvegarder le meilleur intérêt des actionnaires de chacune des compagnies qu'ils représentent.

DETTES — LITIGES

Hastings et Sullivan n'ont aucune obligation ou débenture en cours, ni aucune dette garantie, ni aucune hypothèque ou charge contre la propriété immobilière des compagnies respectives, et aucune valeur mobilière n'a été émise par lesdites compagnies sauf leurs actions communes. Il n'y a aucun litige contre ces deux compagnies qui pourrait affecter de façon appréciable leurs avoirs ou leurs affaires.

ÉPUISEMENT DE LA MINE SOLBEC

Dans son rapport, daté du 11 octobre 1968, Dr J. E. Gill a confirmé l'épuisement à brève échéance de la Mine Solbec. L'auteur de ce rapport, Dr J. E. Gill, est un Ingénieur Conseil indépendant qui obtint ses diplômes B.Sc. en Génie Minier de l'Université McGill (1921) et son Doctorat en Géologie de l'Université Princeton (1925). Le Dr J. E. Gill est Membre de la Corporation des Ingénieurs du Québec et exerce sa profession d'Ingénieur Conseil depuis quarante ans.

CONSEILLERS

Nous avons consulté pour ces transactions Mes Geoffrion & Prud'homme, avocats, de Montréal et Messieurs Mahéu, Noël, Anderson, Valiquette et Associés, comptables agréés, ainsi que leur société nationale affiliée, Collins, Love, Eddis, Valiquette and Co., comptables agréés.

ABANDON DE LA CHARTRE DE HASTINGS

La distribution des biens de Hastings, sa dissolution et l'abandon de sa charte sont nécessaires parce qu'il y va du meilleur intérêt de tous les actionnaires que ces choses soient faites.

La direction de Hastings attendra le moment le plus propice pour y donner suite. Afin d'éviter des dépenses inutiles, avant de procéder à la distribution des biens de la compagnie, à savoir la convocation et la tenue d'une autre assemblée générale spéciale, il est préférable que l'autorisation pour entreprendre et exécuter les procédures nécessaires à ces fins soit donnée à la prochaine assemblée générale spéciale ci-convquée.

Vu les options émises par nos conseillers en cette affaire et, en autant que nos calculs des revenus non distribués de Hastings et de Solbec en date du 1er septembre 1968, sont exacts, et pourvu que la condition de chaque compagnie ci-haut mentionnée n'ait pas changé au moment de la distribution des actions de Sullivan, vos administrateurs croient que ces actions de Sullivan peuvent être distribuées à nos actionnaires sans encourir d'assujettissement à l'impôt sur le revenu du Canada, tel que ladite Loi existe aujourd'hui.

Le résultat final est que pour chaque groupe de 100 actions de Hastings, l'actionnaire recevra 16 actions de Sullivan.

Date à Montréal, ce 24 octobre 1968.

En vertu des lois du Québec, les règlements proposés de Sullivan, étant le règlement no 60 concernant le changement de nom et le règlement no 59 concernant la conversion et l'augmentation subéquente du capital, pour devenir effectifs doivent être approuvés, ratifiés et confirmés par au moins deux tiers en valeur des actions représentées par les actionnaires présents à l'assemblée.

BUT DU CONTRAT DE VENTE ET D'ACHAT

Le but poursuivi par les administrateurs de Sullivan et de Hastings fut de trouver une solution avantageuse pour les actionnaires de Hastings qui permettrait de distribuer les actifs de Hastings le plus tôt possible.

RÉSULTATS PRATIQUES

Pour Hastings, le résultat pratique final sera qu'à titre de compagnie de gestion, le principal actif qu'elle possèdera sera ses 800,000 actions dans la compagnie Sullivan. Son pourcentage de participation dans la compagnie Sullivan sera de 16.66%.

Le résultat pratique final sera que Sullivan possèdera en plus de ses actifs antérieurs, tous les actifs appartenant à Hastings en date du 1er septembre 1968. De plus, elle aura l'avantage d'exploiter ce qui reste du dépôt Solbec.

Comme conséquence, les actionnaires de Hastings bénéficieront autant qu'auparavant des opérations minières de Cupra et participeront aux mises en valeur des compagnies du Groupe telles que: La Société minière d'Estrie Ltée, la Société Minière Weedon Ltée, la Nigadoo River Mines Limited, Lithium et autres, enfin seront sujets à bénéficier des importants travaux de recherches de nouveaux dépôts miniers poursuivis par Sullivan et participer au succès financier de Sullivan. Actuellement, le rapport prix-profit des actions de Sullivan est d'environ 7 à 1.

IMPÔT

Nos conseillers nous avisent qu'en vertu des dispositions actuelles de la Loi de l'impôt sur le revenu du Canada, il y aura des avantages qui découleront de ce contrat de vente et d'achat.

ACTIFS DE HASTINGS ACHETÉS PAR SULLIVAN ET CONSIDÉRATION

Par cet acte de vente et d'achat, Hastings a vendu à Sullivan tous ses actifs sujets aux passifs, excepté son argent liquide, le tout tel que déterminé à la date du 1er septembre 1968, d'après bilan vérifié par les vérificateurs de la compagnie.

Sullivan a assumé tous les contrats et engagements obligeant Hastings en date du 1er septembre 1968. Comme considération pour cette vente, Sullivan a convenu de payer à Hastings, un prix de \$3,854,505.61, en monnaie légale du Canada, le ou avant le 30 novembre 1968, ce montant de \$3,854,505.61 étant la somme des montants suivants, calculés en date du 1er septembre 1968, tel qu'établi au bilan vérifié en date du 31 août 1968.

- a) \$96,136.62 pour les droits de surface et la propriété minière connue comme la "Mine Solbec" dans le canton de Stratford, comté de Wolfe, Province de Québec, et tous droits de prendre et extraire des minerais de ladite propriété minière connue comme la "Mine Solbec", ainsi que certains droits miniers et claims miniers sous permis de mise en valeur dans le canton de Stratford, comté de Wolfe, Province de Québec; et
- b) \$331,126.74 pour toutes installations minières, et leurs accessoires, bâtiments, machineries et équipement, meubles ou immeubles présentement situés sur ou sous ladite propriété minière connue comme la "Mine Solbec", excepté le moulin et les bâtisses adjacentes lesquelles sont la propriété de Cupra; et
- c) \$64,972.53 pour les lots résidentiels suivants: 30-30, 30-70, 30-72, 30-73, 30-74, 30-75 et 29-a-14, rang 5 et partie du lot 29-69, rang 6, tous situés dans la ville de Disraeli, comté de Garthby, Province de Québec, avec résidences y érigées; et
- d) \$8,031.03 pour partie du lot numéro 43, rang 3 sud-ouest du village de Stratford, canton de Stratford, comté de Wolfe, Province de Québec, avec résidence y érigée; et
- e) \$1,503,421.25 pour les investissements dans des obligations du Gouvernement et des actions industrielles à la valeur du marché; et
- f) \$15,446.15 pour les intérêts courus à recevoir; et
- g) \$150,822.42 pour les comptes à recevoir; et
- h) \$15,086.53 pour impôt spécial remboursable;
- i) \$1,519,693.82 pour concentrés évalués à la valeur nette estimée de réalisation d'après les contrats de vente exécutés, moins les avances reçues; et
- j) \$732,171.65 pour approvisionnements à la mine au prix coûtant; et
- k) \$6,357.65 pour assurances, taxes et autres dépenses payées à l'avance; et

ADMINISTRATION

Les membres du conseil d'administration de Sullivan sont les personnes suivantes:

Nom	Occupation	Résidence
J.-Jacques Beauchemin, c.r.	Membre de l'étude légale Beauchemin & Valiquette, avocats.	Outremont, Qué.
André Beauchemin, ing.	Vice-président exécutif, antérieurement secrétaire-trésorier et adjoint au président de la compagnie et autres compagnies affiliées.	St-Lambert, Qué.
Jean Beauchemin	Président du conseil d'administration et administrateur de la compagnie et administrateur d'autres compagnies affiliées.	Outremont, Qué.
Lucien C. Béliveau, ing.	Directeur général et administrateur de la compagnie et autres compagnies affiliées.	Montréal, Qué.
P. Ernest Beauchemin, c.r.	Administrateur de la compagnie et autres compagnies affiliées.	Montréal, Qué.
J. Ernest Laforce	Administrateur de la compagnie	Montréal, Qué.
André Latreille, ing.	Administrateur de la compagnie et autres compagnies affiliées.	Montréal, Qué.
Les membres du conseil d'administration de Hastings sont les personnes suivantes:		
J.-Jacques Beauchemin, c.r.	Président de la compagnie et autres compagnies affiliées; Membre de l'étude légale Beauchemin et Valiquette, avocats.	Outremont, Qué.
André Beauchemin, ing.	Vice-président exécutif, antérieurement secrétaire-trésorier et adjoint au président de la compagnie et autres compagnies affiliées.	St-Lambert, Qué.
Jean Beauchemin	Vice-président et administrateur de la compagnie et administrateur d'autres compagnies affiliées.	Outremont, Qué.
Lucien C. Béliveau, ing.	Directeur général et administrateur de la compagnie et autres compagnies affiliées.	Montréal, Qué.
J.-Guy Gauvreau, D.S.O. E.D., Brigadier-Général	Administrateur de la compagnie et autres compagnies affiliées.	Montréal, Qué.
Maurice Scott, ing.	Directeur de l'exploration de Sullico Mines Limited. Administrateur de la compagnie et autres compagnies affiliées.	St-Lambert, Qué.
J. Albert Doyon	Administrateur de la compagnie et autres compagnies affiliées.	Montréal, Qué.
Beaubien Ltée, Courtiers en Valeurs.		

INSCRIPTION AUX BOURSES

Sullivan et Hastings sont enregistrées et inscrites au Toronto Stock Exchange et au Canadian Stock Exchange; leurs actions devraient continuer à être normalement transigées à ces deux Bourses, sujettes pour la Compagnie Sullivan à l'échange en temps et lieu de ses certificats subséquemment à son changement de nom et aux modifications de son capital-actions. Quant à Hastings, lors de la distribution de ses biens, ses actions ne pourront faire l'objet de transactions boursières.

ÉCHANGE DES CERTIFICATS D'ACTIONS

Si lesdits règlements changeant le nom de Sullivan et affectant sa capitalisation sont approuvés par les actionnaires de Sullivan et si les lettres patentes supplémentaires confirmant lesdits règlements sont émises, les actionnaires de Sullivan seront alors avisés de remettre leurs présents certificats d'actions, en vue de les échanger pour de nouveaux certificats d'actions de la compagnie sur la base de une action de la compagnie pour chaque action présentement détenue.

ASSEMBLÉES DES ACTIONNAIRES

L'assemblée générale spéciale des actionnaires est convoquée pour chacune des deux compagnies par l'avis ci-joint pour considérer le contrat de vente et d'achat, la lettre-contrat de souscription, les modifications au capital-actions et le changement de nom de Sullivan et d'autres résolutions et règlements courants. Le contrat de vente et d'achat fait le 18 octobre 1968, a été dûment approuvé par les conseils d'administration de Sullivan et de Hastings. La non confirmation par les assemblées générales spéciales des actionnaires de Sullivan et/ou Hastings du contrat de vente et d'achat et/ou de la lettre-contrat de souscription annulerait et rescinderait rétroactivement lesdits contrats.

COMMENTAIRES

Nous concevons qu'il est peut-être difficile pour un actionnaire de juger du bien-fondé de transactions de ce genre. A titre d'exemple, lors de la vente en 1967 de l'usine de Solbec à La Société Minière Cupra Ltée ("Cupra") pour un million de dollars, peu de gens ont réalisé que Cupra achetait une usine d'une capacité annuelle de 500,000 tonnes alors que ses besoins n'étaient que d'une capacité de 250,000 tonnes par année. Dans les circonstances Solbec a bénéficié bien plus qu'on le soupçonne. N'eût été l'existence de Cupra dont le dépôt minier est dans le voisinage de Solbec, la réalisation nette pour cette usine se serait chiffrée à environ \$200,000 lors de son démantèlement.

DISTRIBUTION DE SES BIENS PAR HASTINGS

Il est évident que la distribution des biens de Hastings, suivie de la dissolution de la compagnie et de l'abandon de sa charte, est un fait auquel on aura à faire face inévitablement. Elle est de plus dans le meilleur intérêt tant des actionnaires minoritaires que des autres. Les administrateurs de Hastings devront cependant tenir compte, pour en fixer la date, de plusieurs facteurs non encore entièrement déterminés. Pour minimiser les dépenses considérables occasionnées à cette fin, il est désirable et recommandable que l'autorisation de réaliser ce projet soit accordée lors de l'assemblée générale spéciale ci-convoquée.

EXPOSÉ DU CONTRAT DE VENTE ET D'ACHAT

Après une étude élaborée de la situation respective de Hastings et de Sullivan, et d'après nos conseils, le contrat de vente et d'achat qui a eu lieu entre Hastings et Sullivan a été considéré par les administrateurs de ces compagnies comme le processus le plus désirable et le plus avantageux de sauvegarder les intérêts des deux compagnies et éventuellement le plus profitable à leurs actionnaires. Les transactions, tel que stipulé dans le contrat de vente et d'achat fait le 18 octobre 1968, peuvent être résumées comme suit:

Hastings a vendu, sujet à annulation et rescision en cas de non confirmation par les actionnaires de Hastings et/ou Sullivan, la "Mine Solbec" située dans le canton Stratford, Estrie, Province de Québec, ainsi que tous ses autres intérêts miniers, investissements et actifs, sauf l'argent liquide (\$127,214.71), sujet aux passifs connus ou contingents, tel qu'il appert au contrat de vente et d'achat, pour une considération de \$3,854,505.61 payable en monnaie légale du Canada, le ou avant le 30 novembre 1968. Avec son argent liquide, plus la considération ci-haut mentionnée et le dividende provenant de Sullivan devant être payable en décembre 1968, Hastings aura des fonds excédant légèrement \$4,000,000.00.

LETRE-CONTRAT DE SOUSCRIPTION

Sullivan demandera des lettres patentes supplémentaires sous les dispositions de la Loi des compagnies du Québec, afin de convertir ses actions d'une valeur au pair de \$1 chacune en des actions sans valeur au pair pour augmenter son capital-actions à 5,000,000 d'actions, et changera son nom en celui de "Les Mines Sullivan Ltée — Sullivan Mines Ltd."

Une fois que les résolutions de chaque compagnie, c'est-à-dire Hastings et Sullivan, seront approuvées par les actionnaires, lesquelles résolutions ont autorisé la souscription par Hastings et l'émission par Sullivan de 800,000 actions de Sullivan à un prix de \$5 par action pour former un prix global de \$4,000,000 payable le ou avant le 30 novembre 1968, ladite offre de souscription et ladite acceptation d'émettre les actions mentionnées plus haut engageront alors, et pas avant, chacune des compagnies.

CAPITAL-ACTIONS DE SULLIVAN ET DE HASTINGS APRÈS LES TRANSACTIONS

Après exécution et réalisation des transactions et du processus ci-haut décrits, le capital-actions de Sullivan et de Hastings sera comme suit:

A) Sullivan

Émises et en circulation	4,000,000 actions
Émises et vendues à Hastings	800,000 actions
Autorisées et non émises	200,000 actions
Total des actions autorisées sans valeur au pair	5,000,000 actions

B) Hastings

Evidemment, Hastings demeurera avec les mêmes actions autorisées et émises, c'est-à-dire:	
Total des actions émises et autorisées	5,000,000 actions

5. Les objets du contrat de vente et d'achat soumis par les présentes pour les faire de façon plus avant-tageuse pour les actionnaires de Hastings, au 1er septembre 1968 que plus tard, il ne pouvait être question d'attendre.

Plusieurs facteurs justifient cet énoncé, entre autres:

- a) Coûts de fermeture de la mine qui auraient été aux frais de Hastings;
- b) Paire de séparation des employés;
- c) Faible valeur de récupération sur certains actifs alors désuets;
- d) Incertitude quant au rythme de production, quant aux prix des métaux et autres facteurs imprévisibles qui peuvent affecter la rentabilité des derniers mois de production;
- e) Frais d'administration additionnels;
- f) Coûts additionnels de la taxe sur le capital dus à l'existence de compagnies inutiles, (laquelle taxe a été récemment doublée).

6. Après exécution du contrat d'achat et de vente et de la lettre-contrat de souscription datée du 30 août 1968, les actionnaires de Hastings conservent le choix: soit de perpétuer leurs placements dans les actions du Groupe Minier Sullivan, soit de les réaliser sur les Bourses à plus ou moins brève échéance à des conditions qui demeurent équitables pour tous collectivement et chacun respectivement.

En date du 1er septembre 1968, tel qu'illustré au bilan pro forma de Sullivan, malgré une capitalisation émise atteignant 4,800,000 actions, l'avoir net de Sullivan était de \$5.18 par action, tandis que l'avoir net de Hastings au 31 août 1968 était de \$0.80 par action.

Les cotes en Bourse ne reflètent malheureusement pas toujours adéquatement la valeur d'une compagnie; collectivement, les actionnaires de Hastings ne peuvent espérer mieux que la valeur de leur compagnie permet de leur payer ou distribuer.

Malgré que le président de Hastings ait déclaré que la "politique de dividende" dans le cas de Hastings, quoique générale "devrait s'adapter aux circonstances . . .", que les "succès financiers de Hastings étaient anormaux et temporaires pour une exploitation de cet envergure . . .", que "pour maintenir les dividendes à un taux plus élevé on puiserait à même les profits retenus", les cotes en Bourse de Hastings ne correspondaient pas à sa situation. Collectivement, les actionnaires de Hastings ne pouvaient espérer réaliser ce qu'indiquaient les cotes en Bourse.

7. Au 1er septembre 1968, la distribution des actifs de Solbec est un fait accompli. La dissolution de la compagnie et l'abandon de sa charte suivront à brève échéance.

DONNÉES PERTINENTES

Nous vous présentons ci-dessous quelques données résumant l'importance du dépôt Solbec:

- a) les réserves de minerai au début de l'exploitation en 1962 avaient été calculées à 1,380,000 tonnes titrant 1.92% cuivre, 3.80% zinc, 0.50% plomb, 0.014 once d'or et 1.05 once d'argent par tonne;
- b) la quantité de minerai extraite depuis les débuts jusqu'au 31 août 1968 se chiffre à 1,705,763 tonnes dont on a retiré 47,940,031 livres de cuivre, 103,407,011 livres de zinc, 14,477,394 livres de plomb et approximativement \$3,000,000.00 furent recouverts de métaux auxiliaires tels que l'or, l'argent et le cadmium.
- Les récupérations normalement obtenues pour les métaux de base étaient comme suit: cuivre 84%, zinc 82% et plomb 70%;

- c) les réserves de minerai au 31 août 1968 ont été calculées à 247,500 tonnes titrant 1.20% cuivre, 4.02% zinc, 1.02% plomb, 0.03 once d'or et 2.30 onces d'argent par tonne;
- d) au cours de son dernier exercice fiscal on exploita à la mine Solbec 266,525 tonnes de minerai titrant 1.35% cuivre, 4.62% zinc, 0.84% plomb, 0.024 once d'or et 1.793 once d'argent par tonne;
- e) les dividendes distribués par Hastings au 31 août 1968 se totalisent à \$12,000,000.00 soit \$2.40 par action;
- f) l'avoir des actionnaires de Hastings se chiffre à \$3,981,720.00 soit \$0.80 par action, au 31 août 1968;

- g) les dépenses d'exploration encourues pour découvrir du nouveau minerai adjacent au dépôt de Solbec, déjà connu, ont été estimées à \$376,583.20 et ces travaux furent exécutés au cours des dernières années sans résultat favorable.

BREF HISTORIQUE

C'est à cause d'une des conditions d'exercice d'une option d'achat de la propriété minière par une compagnie américaine (laquelle compagnie américaine faisait la découverte du dépôt de la Mine Solbec en 1958), que l'incorporation de Solbec Copper Mines, Ltd. ("Solbec") se fit en 1959. Hastings, à titre de vendeur de cette propriété minière, ne devait conserver qu'un intérêt très minoritaire dans la nouvelle compagnie incorporée.

En décembre 1959, à cause de circonstances extraordinaires dans lesquelles se trouvait la compagnie américaine, Hastings, grâce à l'aide financière de Sullico Mines Limited ("Sullico"), Sullivan et Québec Lithium Corporation ("Lithium"), a pu devenir détenteur de toutes les actions de la compagnie possédant le dépôt de minerai, laquelle compagnie s'appelle maintenant Solbec. Sullico, Sullivan et Lithium, pour des considérations alors jugées onéreuses et comportant de grands risques financiers puisque ces dernières compagnies engageaient environ \$5,000,000 pour la mise en valeur du dépôt, ont obtenu entre autres les actions non émises de Hastings. A même la capitalisation de 5,000,000 d'actions autorisées et émises de Hastings, Sullico détient présentement 2,495,404 actions et Lithium en détient 800,000. Sullivan ne possède maintenant aucune action de Hastings.

INTRODUCTION

Dès le moment où Hastings devint le seul détenteur des actions de Solbec, l'existence de la compagnie Solbec n'était plus justifiée. Nous croyons que le moment propice était venu de dissoudre Solbec.

En date du 1er septembre 1968 eut lieu la distribution des actifs sujets aux passifs de Solbec à son unique actionnaire, Hastings. La dissolution et l'abandon de la charte de Solbec seront entreprises à brève échéance.

FAITS ET MOTIFS

Les administrateurs de Hastings ont été incités à négocier un contrat de vente et d'achat à cause des faits suivants:

1. De toute façon, la distribution des actifs et la dissolution des compagnies Hastings et Solbec devaient avoir lieu au plus tard lors de l'épuisement du dépôt de Solbec. En effet, il est dans le meilleur intérêt des actionnaires de Sullico et de Lithium de recevoir leur quote-part le plus tôt possible, et éliminer ainsi toute compagnie de gestion intermédiaire n'ayant plus de raison d'être, étant donné que Sullico détient 2,495,404 actions de Hastings et Lithium détient 800,000 actions de Hastings.

2. L'épuisement à brève échéance de la mine Solbec, réalité déplorée tant par vos administrateurs que par chacun des actionnaires, est l'occasion d'agir.

Dans son rapport annuel pour la période fiscale se terminant le 31 août 1965, le président de Hastings avisait les actionnaires que les réserves de minerai à la mine Solbec ne seraient suffisantes que pour trois années de production.

Dans son rapport annuel pour la période fiscale se terminant le 31 août 1966, le président de Hastings mentionna que l'exploration pour la découverte de minerai additionnel avait donné des résultats négatifs. L'épuisement annoncé et prévu pour août 1968 a été retardé par une grève de six mois qui commença le 9 septembre 1966; cette grève occasionna un retard d'un an quant au traitement du minerai. C'est pourquoi l'épuisement est maintenant prévu pour l'année 1969.

3. Les transactions proposées à votre ratification devaient d'un an au plus un événement inévitable.

4. Le fait que, d'après nos calculs, Hastings en date du 1er septembre 1968 n'a plus de revenu non distribué, est la deuxième plus importante raison pour donner suite aux transactions proposées par les présentes, vu que toute distribution à ses actionnaires ne devrait pas les assujettir à l'impôt sur le revenu du Canada.

Si un dividende était déclaré sans que ces transactions proposées aient lieu, un tel dividende assujettirait l'actionnaire à l'impôt sur le revenu comme tout dividende régulier.

NOTES EXPLICATIVES

Pour

les actionnaires de

Hastings Mining and Development Co. Ltd.
(Libre de responsabilité personnelle)

et

Sullivan Consolidated Mines Limited

Ces notes explicatives fournissent certains renseignements au sujet du contrat de vente et d'achat fait le 18 octobre 1968, entre Hastings Mining and Development Co. Ltd. ("Hastings") et Sullivan Consolidated Mines Limited ("Sullivan") et au sujet de la lettre-contrat de souscription de Hastings, datée du 30 août 1968, envoyée à Sullivan et acceptée par Sullivan. Ci-inclus sont les copies de ces ententes de même que des états financiers.

AVIS D'ASSEMBLÉE GÉNÉRALE SPÉCIALE DES ACTIONNAIRES

SOYEZ AVISÉ qu'une assemblée générale spéciale des actionnaires de Sullivan Consolidated Mines Limited sera tenue à l'Hôtel Bonaventure, Place Bonaventure, à Montréal, Province de Québec, jeudi le 21 novembre 1968, à 11:00 heures du matin (Heure normale de l'est) pour les fins suivantes:

A) Pour considérer et si jugé à propos, confirmer le contrat (le contrat de vente et d'achat) fait le 18 octobre 1968, entre la compagnie et Hastings Mining and Development Co. Ltd. stipulant la vente par Hastings Mining and Development Co. Ltd. et l'achat par Sullivan Consolidated Mines Limited de la mine Solbec située dans le canton Stratford, comté Wolfe, Province de Québec, ainsi que certains autres intérêts miniers, investissements et actifs, sauf son argent liquide, sujets aux passifs de Hastings;

B) Pour considérer et si jugé à propos, approuver, confirmer et ratifier le règlement 59 de la compagnie, adopté par le Conseil d'Administration, lequel règlement se lit comme suit:

ATTENDU QUE la compagnie a été constituée en corporation sous la partie I de la Loi des Compagnies du Québec, par lettres patentes du 5 mars 1932.

ATTENDU que le capital-actions autorisé de la compagnie est de QUATRE MILLIONS de dollars (\$4,000,000) divisé en quatre millions (4,000,000) d'actions d'une valeur au pair de UN DOLLAR (\$1) chacune, toutes ces actions étant émises et en cours comme entièrement payées.

ATTENDU qu'il est nécessaire, avantageux et dans l'intérêt de la compagnie et de tous ses actionnaires que le capital-actions de la compagnie soit modifié de la façon décrite ci-dessous.

IL EST EN CONSÉQUENCE DÉCRÉTÉ à titre de règlement de la compagnie:

1. Les quatre millions (4,000,000) d'actions d'une valeur au pair de UN DOLLAR (\$1) chacune du capital-actions de la compagnie sont converties, action pour action, en quatre millions (4,000,000) d'actions sans valeur au pair.

2. Le capital-actions de la compagnie est augmenté par la création de un million (1,000,000) d'actions sans valeur au pair.

3. La compagnie est autorisée à demander l'émission de lettres patentes supplémentaires au Lieutenant-Gouverneur de la province de Québec, ratifiant le présent règlement.

4. Les administrateurs et officiers de la compagnie sont autorisés à signer les documents nécessaires pour l'obtention des lettres patentes supplémentaires, ratifiant le présent règlement.

C) Pour considérer et si jugé à propos, approuver, confirmer et ratifier le règlement 60 de la compagnie adopté par le Conseil d'Administration, lequel règlement se lit comme suit:

IL EST EN CONSÉQUENCE DÉCRÉTÉ à titre de règlement de la compagnie:

QUE le nom de la compagnie soit changé de Sullivan Consolidated Mines Limited en celui de SULLIVAN MINES LTD. — LES MINES SULLIVAN LTÉE.

D) Pour considérer et si jugé à propos, confirmer et ratifier la lettre-contrat de souscription en date du 30 août 1968 par laquelle Hastings Mining and Development Co. Ltd. a convenu de souscrire et de payer pour 800,000 nouvelles actions sans valeur au pair de la compagnie au prix de \$5 l'action à être payé le ou avant le 30 novembre 1968.

Accompagnant cet avis et en faisant partie, vous trouverez une lettre du président et des notes explicatives concernant les dites transactions, qui contiennent entre autres choses:

(i) des bilans pro forma de Les Mines Sullivan Ltée et Hastings Mining and Development Co. Ltd. en date du 1er septembre 1968, tenant compte des transactions proposées;

(ii) des états financiers vérifiés de Sullivan Consolidated Mines Limited et Hastings Mining and Development Co. Ltd. en date du 31 août 1968; et

(iii) une copie du contrat de vente et d'achat et d'une lettre-contrat de souscription.

Les actionnaires qui seront incapables d'assister en personne à l'assemblée, sont priés de bien vouloir signer et retourner la formule de procuration ci-jointe, au secrétaire de la compagnie.

Date à Montréal, ce 1er jour de novembre 1968.

Par Ordre du Conseil d'Administration,
Le Secrétaire,
RÉAL J. LAFLÉUR

le 25 octobre 1968

Aux actionnaires,

Réalisant que nonobstant sa situation financière des plus favorable, votre compagnie améliorerait sensiblement ses chances de succès et de croissance en augmentant sa liquidité, tenant compte qu'"Hastings" et "Sullivan" font partie du Groupe Minier dont "Sullivan" est le "Chef de File", jugeant opportun dans les circonstances d'offrir aux actionnaires de "Hastings" une occasion de conserver leur placement au sein du Groupe Minier Sullivan, vos administrateurs, après une étude élaborée de la situation et de nombreuses consultations légales et comptables, ont jugé avantageux pour votre compagnie et recommandable de conclure un contrat de vente et d'achat daté du 18 octobre 1968 et une lettre-contrat de souscription datée du 30 août 1968, en vertu desquels,

(i) votre compagnie achète de "Hastings" la "Mine Solbec" ainsi que tous ses autres intérêts miniers, investissements et actifs, sauf son argent liquide, sujets aux passifs connus ou contingents, pour la considération de \$3,854,505.61, payable en monnaie légale du Canada le ou avant le 30 novembre 1968;

(ii) votre compagnie changerait, aussitôt que possible, son nom pour "Les Mines Sullivan Ltée — Sullivan Mines Ltd." convertirait ses actions d'une valeur au pair de \$1.00 en des actions sans valeur au pair, action pour action et augmenterait sa capitalisation de 4,000,000 d'actions, sans valeur au pair à 5,000,000 d'actions sans valeur au pair;

(iii) votre compagnie vendrait à "Hastings" 800,000 actions sans valeur au pair de son nouveau capital action au prix de \$5.00 l'action pour une considération totale de \$4,000,000 payable le ou avant le 30 novembre 1968, suite à la confirmation et ratification par les actionnaires, aux assemblées générales spéciales prévues à cet effet.

Ceci veut dire qu'après exécution des transactions proposées ci-dessus, votre compagnie détiendra et exploitera la "Mine Solbec" située dans le canton de Stratford, comté de Wolfe, province de Québec, ainsi que les autres actifs sujets aux passifs de Hastings tel qu'indiqué dans ledit contrat de vente et d'achat ci-annexé.

Votre conseil d'administration recommande que les actionnaires confirment ledit contrat de vente et d'achat et la lettre-contrat de souscription et ratifient les règlements proposés.

Sont inclus avec la présente:

A) Un avis convoquant une assemblée générale spéciale des actionnaires de votre compagnie pour considérer entre autres choses et si jugé à propos de ratifier les transactions exposées ci-haut, entre votre compagnie et Hastings Mining and Development Co. Ltd. et les règlements changeant le nom et la capitalisation de la compagnie;

B) Des notes explicatives lesquelles pourront vous aider à déterminer si les dites transactions devraient être confirmées;

C) Une formule de procuration. Si vous êtes incapable d'assister à l'assemblée en personne, vous êtes prié de bien vouloir signer et retourner ladite formule de procuration au secrétaire de la compagnie;

D) Copie d'une lettre et avis à l'adresse des actionnaires de Hastings Mining and Development Co. Ltd.

Pour le Conseil d'Administration,

Le Président,

J.-JACQUES BEAUCHEMIN

AVIS D'ASSEMBLÉE GÉNÉRALE SPÉCIALE DES ACTIONNAIRES

SOYEZ AVISÉ qu'une assemblée générale spéciale des actionnaires de Hastings Mining and Development Co. Ltd. sera tenue à l'Hôtel Bonaventure, Place Bonaventure, à Montréal, Province de Québec, le 21 novembre 1968 à 10:00 heures du matin (Heure normale de l'est) pour les fins suivantes:

- A) Pour considérer et si jugé à propos, confirmer le contrat (le contrat de vente et d'achat) fait le 18 octobre 1968, entre la compagnie et Sullivan Consolidated Mines Limited de Hastings Mining and Development Co. Ltd. et l'achat par Sullivan Consolidated Mines Limited de la mine Solbec située dans le canton Stratford, comté Wolfe, Province de Québec, ainsi que certains autres intérêts miniers, investissements et actifs, excepté son argent liquide, sujets aux passifs de Hastings;

- B) Pour considérer et si jugé à propos, confirmer et ratifier la lettre-contrat de souscription en date du 30 août 1968, par laquelle la compagnie a convenu de souscrire et de payer pour 800,000 nouvelles actions sans valeur au pair de les Mines Sullivan Ltée (nouveau nom de Sullivan Consolidated Mines Limited) au prix de \$5.00 l'action à être payées le ou avant le 30 novembre 1968.

- C) Pour considérer et si jugé à propos, confirmer et ratifier le règlement numéro 8 de la compagnie, approuvé par le conseil d'administration, par lequel la compagnie est autorisée à distribuer tous ses biens entre ses actionnaires, proportionnellement au montant d'actions qu'ils détiennent.

- D) Pour considérer et si jugé à propos, confirmer et ratifier le règlement numéro 9 de la compagnie, approuvé par le conseil d'administration, par lequel les officiers de la compagnie sont autorisés à signer une requête pour l'abandon de la charte de la compagnie.

Accompagnant cet avis et en faisant partie, vous trouverez une lettre du président et des notes explicatives concernant les dites transactions, qui contiennent entre autres choses:

- (i) des bilans pro forma de Hastings Mining and Development Co. Ltd. et les Mines Sullivan Ltée, en date du 1er septembre 1968, tenant compte des transactions proposées;
- (ii) des états financiers vérifiés de Hastings Mining and Development Co. Ltd. et Sullivan Consolidated Mines Limited en date du 31 août 1968; et
- (iii) une copie du contrat de vente et d'achat et une copie de la lettre-contrat de souscription.

Les actionnaires qui seront incapables d'assister en personne à l'assemblée sont priés de bien vouloir signer et retourner la formule de procuration ci-jointe, au secrétaire de la compagnie.

Daté à Montréal, ce 1er jour de novembre 1968.

Par Ordre du Conseil d'Administration,

Le secrétaire,

RÉAL J. LAFLEUR

le 25 octobre 1968

Aux actionnaires,

Les administrateurs de votre compagnie ont été appelés à considérer l'épuisement imminent du minerai du dépôt Solbec au cours de la prochaine année et à considérer que "Hastings" et/ou "Solbec" étaient arrivées au stade où il ne restait plus de profits non répartis aptes à faire l'objet du paiement de dividendes réguliers. Après une étude élaborée de la situation et de nombreuses consultations légales et comptables, et souhaitant de plus fournir l'occasion aux actionnaires de Hastings de prolonger leur investissement au sein du Groupe Minier Sullivan, vos administrateurs ont jugé avantageux pour votre compagnie et recommandable de conclure un contrat de vente et d'achat daté du 18 octobre 1968, et une offre de souscription datée du 30 août 1968 en vertu desquels :

(i) votre compagnie vend à Sullivan Consolidated Mines Limited, la "Mine Solbec" ainsi que tous ses autres intérêts miniers, investissements et actifs, excepté son argent liquide, sujets aux passifs connus ou contingents, pour la considération de \$3,854,505.61, payable en monnaie légale du Canada le ou avant le 30 novembre 1968;

(ii) Sullivan Consolidated Mines Limited changerait son nom pour "Les Mines Sullivan Ltée — en actions sans valeur au pair et augmenterait sa capitalisation de 4,000,000 d'actions sans valeur au pair à 5,000,000 d'actions sans valeur au pair;

(iii) Votre compagnie a convenu d'acheter 800,000 nouvelles actions sans valeur au pair de Sullivan Consolidated Mines Limited à un prix de \$5.00 l'action pour une considération totale de \$4,000,000 payable le ou avant le 30 novembre 1968, suite à la confirmation et ratification par les actionnaires, aux assemblées générales et spéciales prévues à cet effet.

Ceci veut dire qu'après exécution et réalisation complète dudit contrat de vente et achat, daté du 18 octobre 1968, et de la lettre-contrat de souscription datée du 30 août 1968, votre compagnie deviendra comme son principal actif 800,000 actions de la compagnie Sullivan Consolidated Mines Limited (Sullivan Mines Ltd. — Les Mines Sullivan Ltée) sur un total de 4,800,000 actions émises, ou en d'autres mots 16.66% du capital émis de Sullivan.

Comme conséquence de ces transactions, les actionnaires de Hastings bénéficieront autant qu'auparavant des opérations minières de La Société Minière Cupra Ltée, participant aux mises en valeur des compagnies du Groupe telles la Société Minière d'Estrie Ltée, La Société minière Weedon Ltée, la Nigadoo River Mines Limited, la Québec Lithium Corporation ou autres, et enfin ils seront aptes à bénéficier des importants travaux de recherches de nouveaux dépôts miniers normalement poursuivis par Sullivan. Grâce à ces transactions, les actionnaires de Hastings pourront participer au succès financier de Sullivan.

Votre conseil d'administration recommande que les actionnaires confirment ledit contrat de vente et d'achat et la lettre-contrat de souscription et qu'ils confirment et approuvent les règlements numéros 8 et 9 autorisant la distribution des actifs de Hastings et l'abandon de sa charte.

Annexé à la présente :

- A) Un avis convoquant une assemblée générale spéciale des actionnaires de votre compagnie pour considérer entre autres choses, et si jugé à propos, de ratifier le contrat de vente et d'achat daté du 18 octobre 1968, entre votre compagnie et Sullivan Consolidated Mines Limited de même que la lettre-contrat de souscription datée du 30 août 1968.
- B) Des notes explicatives qui pourront vous aider à déterminer si les dites transactions devraient être ratifiées.
- C) Une formule de procuration. Si vous êtes incapable d'assister à l'assemblée en personne, vous êtes prié de bien vouloir signer et retourner la formule de procuration au Secrétaire de la compagnie.
- D) Copie d'une lettre et d'un avis à l'adresse des actionnaires de Sullivan.

Pour le conseil d'administration,

Le Président,

J.-JACQUES BEAUCHEMIN

aux actionnaires de

HASTINGS MINING AND DEVELOPMENT CO. LTD.

SULLIVAN CONSOLIDATED MINES LTD.

ASSEMBLÉE GÉNÉRALE SPÉCIALE DES ACTIONNAIRES
LE 21 NOVEMBRE 1968

Imprimé au Canada

Hôtel Bonaventure,
Montréal, P.Q., Canada